



2019 Annual Report and Sustainability Report

Market leader in  
secure facilities



# Best at secure facilities

Specialfastigheter owns and manages properties including correctional facilities, juvenile care homes, courts of law and police properties. These are all special operations that have stringent requirements, particularly in terms of security. We are a safe, secure and proactive property owner that focuses on long-term relationships, and we define both current and future requirements in close collaboration with our customers.

We are  
**100**  
per cent owned by  
the Swedish state

No. of municipalities  
where Specialfastigheter  
is present, around  
**70**  
From Ystad in the south to  
Haparanda in the north

Ongoing investment  
volume, around SEK  
**2**  
billion

## Properties from north to south

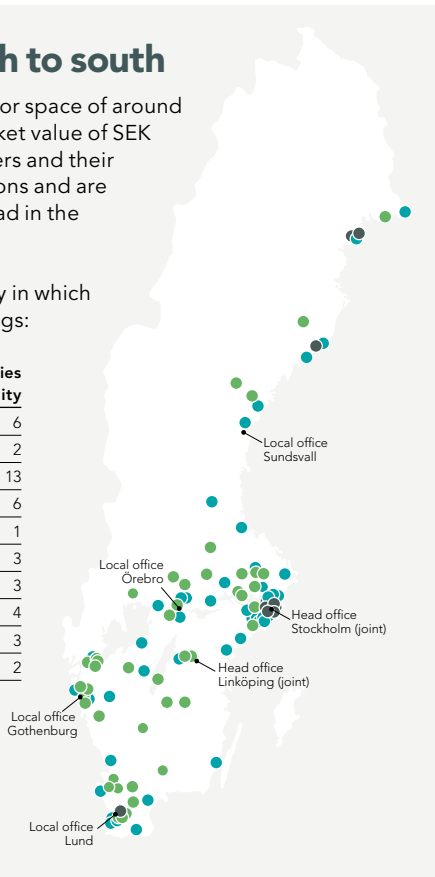
Our property holdings comprise floor space of around 1.1 million square metres and a market value of SEK 29,037 million. Many of our customers and their operations fulfil vital societal functions and are spread across the country, from Ystad in the south to Haparanda in the north.

The ten municipalities in the country in which we have the largest property holdings:

Municipality	Total net floor area (NFA) owned, sq m	No. of properties per municipality
Stockholm	332,651	6
Kumla	47,019	2
Södertälje	41,913	13
Lund	36,725	6
Solna	34,967	1
Kramfors	30,830	3
Luleå	29,533	3
Gothenburg	27,739	4
Umeå	26,467	3
Linköping	24,831	2

### Business areas

- Prison and Probation Service business area
- Defence and Judicial System business area
- Institutional Care and Other Special Operations business area



## Our business idea

Based on sustainable business practices and long-term, commercial ownership, Specialfastigheter develops and manages properties in Sweden for customers whose operations demand high security standards.

## Our mission

Specialfastigheter's mission is to own, develop and manage properties with stringent security requirements in Sweden on a long-term commercial basis, wherever there is a national security interest. The guiding principle of our operations is to reduce the state's overall costs. In a competitive market, Specialfastigheter may also own, develop and manage properties in which there are other kinds of security interests and pursue other related business.



## Three customer-centric business areas

### Prison and Probation Service business area

Our largest business area consists of just one customer, the Swedish Prison and Probation Service, which accounts for 39% of the company's income. We own Sweden's three high-security prisons Kumla, Hall and Saltvik along with other well-known prisons, such as Hinseberg, Tidaholm and Österåker within this business area.

#### Customers

The Swedish Prison and Probation Service



### Defence and Judicial System business area

Within this business area, we mainly work with customers in the defence and judicial system who are responsible for national security. Our property management is highly important for several of Sweden's central societal functions.

#### Customers

The Swedish Police  
 The Swedish Armed Forces  
 The Swedish National Courts Administration  
 The Swedish Defence Materiel Administration (FMV)  
 The Swedish Defence Research Agency (FOI)  
 The Swedish Enforcement Authority  
 The Swedish Prosecution Authority



### Institutional Care and Other Special Operations business area

With several facilities around the country, the Swedish National Board of Institutional Care (SiS) is the largest customer in this business area. Operations in this area involve the care and treatment of young people with psychosocial issues and adults with addiction problems.

#### Customers

The Swedish National Board of Institutional Care (SiS)  
 The National Swedish Museums of Military History (SFHM)  
 The Swedish Civil Contingencies Agency (MSB)  
 The National Board of Forensic Medicine  
 The Folke Bernadotte Academy  
 The Swedish Migration Agency



Kriminalvården

Kronofogden



DOMSTOLSVERKET  
 SVERIGES DOMSTOLAR



ÅKLAGARMYNDIGHETEN

FMV

Statens  
 institutions  
 styrelse SiS

Migrationsverket



FOI



FBA



Polisen



FÖRSVARSMAKTEN



Myndigheten för  
 samhällsskydd  
 och beredskap

statens  
 försvarshistoriska  
 museer



RÄTTSMEDICINALVERKET

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## 2019 Annual Report and Sustainability Report

The report integrates financial, sustainability and corporate governance-related information to provide a comprehensive description of Specialfastigheter's operations.

## Administration Report

The Administration Report can be found on this page and pages 6–108.

## Sustainability Report

The Sustainability Report follows the 2016 GRI Standards: Core option and has been the subject of a limited assurance report by an external auditor. The scope of the Sustainability Report is detailed in the GRI list of contents on page 52.

## ● = Sustainability Report

The Statutory Sustainability Report pursuant to the Annual Accounts Act.

Specialfastigheter Sverige AB (publ)

Company registration number 556537-5945

*While every care has been taken in the translation of this annual report, readers are reminded that the original annual report, signed by the Board of Directors, is in Swedish. The auditors have only audited the Swedish annual accounts and consolidated accounts of Specialfastigheter Sverige AB (publ) for the year 2019.*







## Customers are safe with us

At Specialfastigheter, our focus is always on the customer. We supply secure facilities – secure, adapted and sustainable premises that actively contribute to our customers' operations. We work in close collaboration with our customers to identify solutions together that support their operations as well as our shared long-term customer relationship. We have a high level of operational reliability,

a strong local presence and financial stability. Taken together, this makes us a leading supplier of secure facilities.

Our core values – security, long-term planning, proximity and collaboration – always form part of our daily operations. Our Code of Conduct also supports us in our daily work and helps us conduct business in a way that reflects our values.

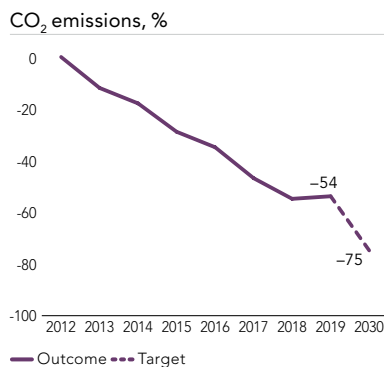
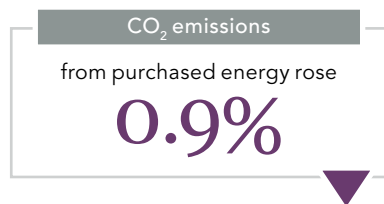
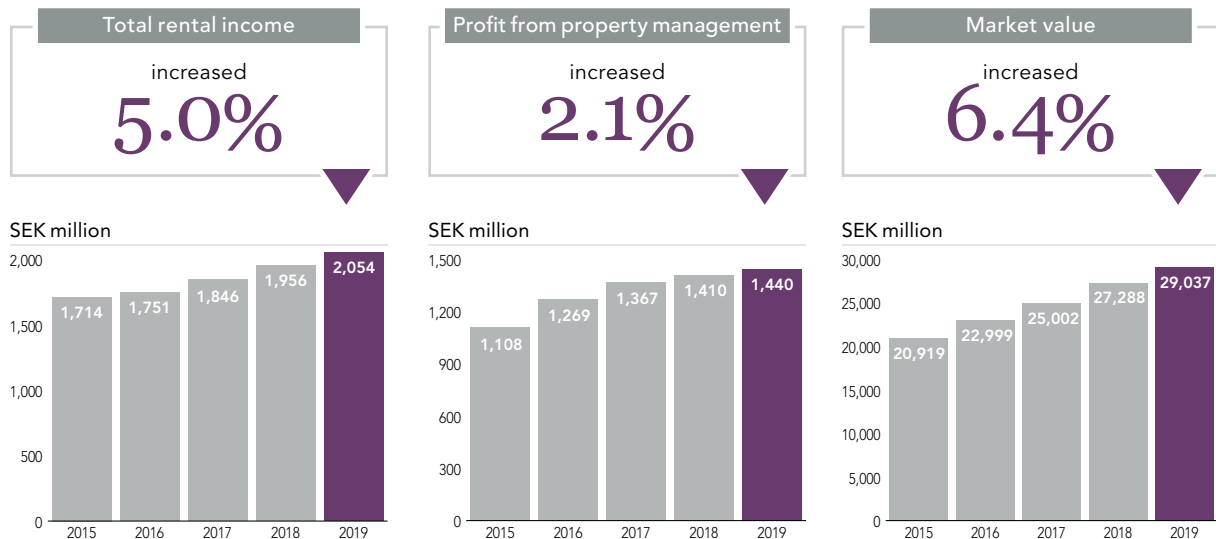
Security	Long-term planning	Proximity	Collaboration
 <p>Security issues are our highest priority. Our mission requires great responsibility and skill.</p>	 <p>We are a stable company that invests in the long term together with our customers.</p>	 <p>We have a customised organisation in which we discuss plans, needs and wishes through open dialogue.</p>	 <p>Together we can create opportunities to ensure our customers' success.</p>



# 2019 in brief: Security & Sustainability

Security and safety continue to be major and current societal issues, as are the growing demands for long-term sustainability and how we as a property company can move in that direction. In this section, we have collated some of the most significant events for Specialfastigheter during the year.

## 2019 in figures



Our target is to reduce CO<sub>2</sub> emissions from purchased energy by 75% by 2030 (base year 2012).

	2019	2018	2017	2016	2015
Income from property management, SEK million	2,261	2,138	2,028	1,912	1,867
Net operating income, SEK million	1,631	1,574	1,495	1,409	1,400
Profit from property management, SEK million	1,440	1,410	1,367	1,269	1,108
EBT, SEK million	2,170	2,825	2,165	2,100	1,474
Net profit for the year, SEK million	1,717*	2,423	1,719	1,638	1,178
Return on equity, %	14.9	24.2	20.3	22.6	15.6
Adjusted return on equity, %	9.9	13.0	12.8	13.7	11.8
Yield, %	5.8	6.0	6.2	6.5	6.8
Rental income, SEK/sq m	1,882	1,793	1,700	1,644	1,618
Occupancy rate, %	98.5	99.0	99.0	98.6	98.7
Surplus ratio, %	72.1	73.6	73.7	73.7	75.0
Net floor area, sq m, thousand	1,090	1,094	1,079	1,088	1,058
Investments including property acquisitions, SEK million	1,029	882	1,398	1,288	419
Market value, investment properties, SEK million	29,037	27,288	25,002	22,999	20,919
Loan-to-value ratio, %	45.9	45.7	53.3	55.9	57.8
Equity/assets ratio, %	39.2	38.3	33.8	32.2	30.2

\*The lower profit compared with previous years is mainly due to lower unrealised value changes in investment properties.

For definitions of key performance indicators, see page 116.



### Customers still facing intense pressure

Occupancy at the correctional facilities and remand centres of the Prison and Probation Service remains high. Several other customers are also in need of more resources to manage their expanding tasks. It is therefore pleasing that in its budget proposal for 2020, the government is investing in law enforcement authorities by enhancing the appropriations with SEK 700 million. A rise in appropriations is also expected for the years thereafter, which will likely entail investments on the part of Specialfastigheter moving forward.

### Lund district court wins PLÅT prize 2019

The district court in Lund – a property constructed by Specialfastigheter – was showcased for its beautiful copper facade in April. The district court was awarded the PLÅT prize, an honorary prize awarded by the PLÅT seminar. As part of the jury’s summary explained: “The facade is thus a highly visible stamp of quality on a successful construction process, a climate-smart building and a secure operation.” The district court was also nominated as “Årets Bygge 2019” (Building of the Year).



### Review of material environmental topics

In 2019 we reviewed our material environmental topics in line with ISO 14001 and then clarified and supplemented them. They now include CO<sub>2</sub> emissions, energy, materials and chemical products, waste and biodiversity.

### In-depth sustainability partnerships with suppliers

During the year, we held a series of workshops under the theme of sustainability together with our framework suppliers for large and medium-sized contracts. The aim was to pinpoint concrete sustainable solutions and models that can begin to be implemented quickly. We are also continuing our on-site audits in which we review and discuss every aspect, from equality and the work environment to chemical inventories and climate measures.



### Investment in digitalisation

Specialfastigheter’s IT Manager, Masoomah Antonsson, was appointed CIO during the year. On 1 July, she also joined the management group to strengthen our digital competence. In her new role, Masoomah Antonsson will primarily drive strategic efforts linked to the digital transformation and IT security.

# Rapidly expanding need for secure facilities

Our customers throughout the Swedish law enforcement chain have considerable needs in terms of maintenance of older properties and new construction to increase capacity. Specialfastigheter is in a strong position and has the tools and capacity to meet those needs.

As we summarise 2019, we are able to look back on yet another year in which we delivered stable results that exceeded our owners' financial targets. Profit from property management amounted to SEK 1,440 million – a year-on-year improvement of 2.1%. The overall value of our properties increased 6.4% during the year. Public sector properties remain highly attractive to investors. We also maintained our very good rating, AA+, from Standard & Poor's, which is unique among Swedish property companies. All in all, Specialfastigheter is in a strong financial position and has the financial muscles required to tackle the challenges awaiting us over the coming years.

Our principals throughout the law enforcement chain have a considerable need for investment, both in terms of new construction to increase capacity and maintenance of older properties that require modernisation. This applies in no small measure to the Prison and Probation Service, where both prisons and remand centres are currently overcrowded at a time when more targeted measures against organised and gang-related crime are expected to raise the need for more prison spaces further. It is therefore pleasing that the law enforcement authorities will receive enhanced appropriations in 2020 and likely over the coming years too.

## High-security means high cost – but is necessary

Security requirements are quite rightly very high for police stations, court houses, remand centres and prisons, and the new protective security legislation that entered into force in the spring entails both stricter regulations and more operations being covered by the requirements. At the same time, we know from experience that funding of new builds and redevelopments of properties with stringent security requirements poses a considerable challenge for our customers.

High-security has a high cost – but not doing the right thing from the start and living up to the strict requirements can be even costlier in the long run. Inadequate security in demanding and exposed environments such as remand centres and prisons can lead to serious consequences, on both a human and a financial scale.

## Standard buildings reduce costs

Specialfastigheter is ready to meet the major need for secure facilities within law enforcement – primarily through a well-developed implementation capacity combined with extensive knowledge honed from many years of experience. We also have the tools to quickly and cost-effectively

meet our customers' needs for premises. We have been developing standard buildings in collaboration with our customers for a couple of years now, with these buildings adapted to the different operations of each customer. As these are standardised buildings with all of the customers' wishes built in right prior to the start of production, the production process can be streamlined while minimising cost increases caused by changes to the production schedule.

Net profit for the year

SEK  
**1,717**  
million

In 2019, we constructed several standard buildings, primarily for the Swedish National Board of Institutional Care, and can now state that the new buildings maintain a high level of quality. So far these are just prototype projects – we will first realise the considerable cost savings when we are able to build on a large scale over several years. This work will require commitment and endurance from all of the parties involved – our customers, the contractors with whom we collaborate and not least ourselves.

Precisely this kind of close and long-term collaboration with a number of selected contractors is a successful way of achieving greater efficiency with lower costs, shorter implementation times and a higher quality of production, while ensuring that experience is leveraged and transferred across projects. Our collaboration concept, known as the "Entreprenadfabriken," or Contract Factory, gives us the opportunity to set security and sustainability requirements in a much clearer way and has been received very positively by construction companies.

## Extensive need for modernisation

The need for increased capacity and new premises throughout the law enforcement chain is, as I've noted, extensive. Equally extensive is the need for upgrading and maintaining existing facilities. Many of our properties are old and require modernisation; something that has been shown by our customer surveys, with those working at the premises stating that they do not meet the quality required for their respective operations. For this reason, we increased investment in maintenance considerably during the year, while establishing a planning process for increased maintenance over the coming years.



Maintaining secure facilities is a complex process, however, due to the extensive security arrangements required during the redevelopments. The prisons and remand centres currently in need of major upgrading are overwhelmingly fully occupied and alternative premises to which the inmates can be transferred during a renovation are lacking.

### Vigorous new efforts to reduce emissions

To maintain high quality and the excellent management of our portfolio, we need to continuously develop our properties by way of new construction and maintenance. An equally important aim is to continue our relentless efforts to achieve our ambitious sustainability targets. Specialfastigheter should serve as a role model for sustainable business, and as a state-owned company, we have a particular responsibility to set a good example in terms of always acting in a way that fosters confidence in us. We continue to support the UN Global Compact and its ten principles for sustainable business. We participate actively in several sustainability initiatives and networks with other players to promote sustainable business.

We did not fully hit our target relating to CO<sub>2</sub> emissions for purchased energy during the year. The target for 2019 was a reduction of 56% compared with the base year 2012, but the outcome was 54%. It is thus all the more important that we want to raise our target for 2020 further by including CO<sub>2</sub> emissions from the entire value chain. Practical efforts are already under way; for example, we are actively collaborating on sustainability issues at an early stage with our construction contractors. To reduce emissions further, we are making investments that will reduce energy use, even if those investments do not lead to new revenue. Parallel to this we have intensified efforts to reduce our climate impact across the value chain – from initial planning and funding right through to demolition and recycling when a building has reached the end of its lifespan. In addition to emissions of greenhouse gases, our material environmental topics also include energy, materials and chemical products, waste and biodiversity. As Specialfastigheter owns considerable amounts of land, biodiversity is a major area in which we want to raise our ambitions even further.

Production and materials linked to new builds or renovations account for a major part of our climate impact throughout the lifecycle of the properties, which is why we have further intensified collaboration with our suppliers on precisely these issues. In 2019, we carried out a range of workshops involving contractors with whom we have framework agreements in order to develop sustainable solutions and models that can be quickly converted into practical actions. At the same time, on-site audits are continuing among suppliers at which we raise issues linked to climate measures, the use of chemicals, the work environment and equality.

### Collaboration for efficient solutions

As we enter 2020, Specialfastigheter is ready to take on the major property investments that players throughout the Swedish law enforcement chain are facing. We held discussions in 2019 with the Prison and Probation Service about how the need for new builds can be met, and our hope is to get started on a greater number of projects in 2020. We work in close collaboration with our customers to jointly pinpoint solutions that satisfy the strict security and sustainability requirements, while ensuring they are cost-efficient and achievable within the customers' budget frameworks.



Åsa Hedenberg,  
CEO of Specialfastigheter

Another aim for 2020 is to offer even better support to our customers as we work to satisfy the requirements set by the new Protective Security Act. We conducted a protective security analysis based on this new legislation during the year, in which it was noted which critical assets we have and how we should act to safeguard them. Our customers can feel secure in the knowledge that highly sensitive information is safe with us.

### Enhanced digital competence

Another area increasing in importance all the time is the digitalisation of properties, property management and processes for property development. New innovations and rapid technological development are creating new opportunities for efficiency, reduced costs and improved environmental performance. It is also important for a company such as ours to constantly bear security aspects in mind, as well as the risks linked to increased digitalisation. Specialfastigheter is one of very few property companies certified in the area of information security, and to further enhance our digital competence we established a new position during the year, Chief Information Officer, which has been added to our management group.

For me as CEO, it is a real bonus to work at a company with such strong commitment from both the Board of Directors and employees toward delivering the most secure and sustainable operational premises to our customers. Our operations are complex and there are many challenges, but we are working consciously, constructively and with a long-term approach to face the future. During the past year, we continued to develop strong partnerships with customers and business partners. We are convinced that collaborative production is, and will remain, our most important factor for success in the future.

I want to conclude by truly thanking all of our employees and business partners. I am really looking forward to continuing our urgent work in 2020 to become the most secure and attractive property company promoting a safer, more secure society.

Linköping, 23 March 2020

Åsa Hedenberg, CEO

# Market leader in secure facilities:

Demand for secure facilities is increasing and our extensive experience, expertise and long-term strategy has put us in an almost unique position within our niche of secure facilities. Our strengths and assets mean we stand strong in all economic conditions.

## A secure and sustainable business

### Best at secure facilities

Specialfastigheter is a market leader in secure facilities. Extensive experience and expertise in the area of security and our long-term approach to business relationships are our main strengths and competitive advantages.

### Deeply rooted values

We are a signatory of the UN Global Compact. Our four core values and our own Code of Conduct, which is based on the ten principles of the Global Compact, guide us in our day-to-day work. We work consciously to contribute to the transformation required to achieve the 2030 Agenda for Sustainable Development in the areas where we have the greatest influence.

### Sustainable supply chains

We set requirements for our suppliers and collaborate with them to create cost-effective and sustainable supply chains. An obligatory Code of Conduct, self-assessment forms, on-site audits and evaluations together with a strong dialogue all form the basis of long-term, mutually beneficial partnerships.

### Proactive risk management

We work proactively in the area of risk management, with particular focus on the greatest risks. We prevent and minimise injuries by way of extensive risk analyses in which we systematically identify, analyse, evaluate and manage risks.

## Stable customer relationships



### Internally governed management and projects

Collaboration, proximity and dialogue with our customers are all at the core of both our ongoing management and our long-term property development. This is why we have opted to establish a project and development unit as well as customer-centric property management and internally governed operations.

### Growing demand and a low vacancy rate

There remains a strong and growing demand for our premises, which has contributed to a low vacancy rate. We develop our property holdings in collaboration with customers and we generally always have a customer with us in new transactions.

**Occupancy rate of 98.5%**

### Secure and long leases

The majority of Specialfastigheter's leases are signed with public-sector operations and have long leases that often run for up to 25 years. Rental income is secured for a long period and derives from creditworthy tenants who have non-existent credit risks.

**Average term of 10.9 years**

Our property portfolio – secure facilities

### From Ystad to Haparanda

Many of our customers and their operations fulfil vital societal functions and are spread across the country – and therefore so are we. Our properties and employees are located in close to 70 municipalities in Sweden.

Market value, investment properties

SEK  
**29**  
billion

### Rising market value

The increase in investment properties' market value is mainly due to newly signed leases, investments and reduced return requirements.

### The right property for the right operations

The common denominator among our customers is their security requirements. Our role is to offer the right property or premises for the right operation. Together we create efficient comprehensive solutions in line with our customers' changing conditions. Our properties should be sustainable throughout their life cycle, which is why we collaborate with various players throughout the value chain. In 2019, we further developed our customer and supplier dialogues, in part by holding various sustainability workshops.

Strong financial position

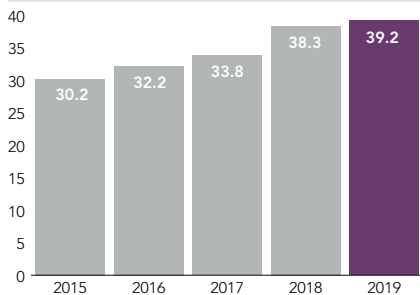
### A long-term and stable owner

As one of the companies wholly-owned by the Swedish state, we have a long-term and stable owner. We are administrated by the Government Offices of Sweden, which pursue active corporate governance and, like us, consider sustainability issues to be a natural part of the company's long-term strategy and business development.

### Improved equity/assets ratio

Our owner's equity/assets ratio target is expressed as an interval between 25 and 35%. The result as of 31 December was 39%, which was mainly due to our long leases that provide us with stable cash flows and the low interest rate level of recent years. The unrealised changes in value of our properties have also increased equity by SEK 592 million after tax as of 31 December 2019. Our loan-to-value ratio was 46% on 31 December.

Equity/assets ratio, %



### Very high credit rating

We have held a very high credit rating from Standard & Poor's on our long-term borrowing for a long time now, having been awarded an AA+/Stable outlook. This is thanks to our unique position as a landlord of secure facilities, our low business risk profile with a highly stable and predictable cash flow based on long-term leases with government authorities, as well as our strong liquidity position and the fact that the Swedish state is our owner.

Our rating is

**AA+**

Stable outlook

(Source: Standard & Poor's, 17 December 2019)

### Strong return

We must manage our property holdings with a sustainable, long-term approach and with total efficiency from an ownership perspective. Our profitability target as set by the owner is 8% adjusted return on equity. We exceeded our target by a wide margin, and on 31 December 2019 the result was 10%. Our strong return was mainly due to our long leases – which provide us with stable cash flows – and the low interest rate level of recent years. Half of our earnings are reinvested into operations, thus enabling our growth.

**Return of 10%**

Collaborations that create value

### Long-term collaborations that develop our business

We develop and meet the growing demand for secure facilities in close collaboration with our customers and suppliers. We take a proactive and long-term approach to resource and skills sourcing, whether this is among our own employees or external business partners. Through our approach to working with contracts and planning consul-

tants – who focus on cost-efficiency, collaboration and continuity – we want to create skills and an understanding of customers' requirements. Together we can create innovative, sustainable and customer-specific solutions that develop not just our own operations, but those of our customers and suppliers too.

# Long-term benchmarking based on our five target areas

Specialfastigheter’s vision – to be the most secure and attractive property company promoting a safer, more secure society – forms the basis for our long-term benchmarking and our overall strategies.

Specialfastigheter’s financial targets are decided by the owner, the Swedish state. The overall strategic targets are resolved by the Board. The aim of the targets is to ensure efficient use of resources to help maintain the company’s strong position in a competitive market. The owner and company’s management consider sustainable business to be a commercially strategic issue, and the follow-up of our sustainability efforts is conducted through a dialogue with the owner, partially by following up on targets and partially by way of specific sustainability analyses.

### Dividend policy

Specialfastigheter’s dividend policy is to distribute 50% of net profit for the year after adding changes in value and


associated deferred tax. The annual resolution on the dividend must also take into account the Group’s future investment needs and financial circumstances.

### Clear target areas

To ensure we can govern, take decisions on targets and activities and prioritise and monitor operations more clearly, we manage operations based on five target areas: Creating customer value, Best at security, Long-term profitability, Responsibility for the environment and climate and Proactive skills sourcing. As a complement to our target areas, we pursue development work that impacts either on the entire company or major parts of it.

## Overall strategic targets

Creating customer value



We are to provide secure, adapted premises in a commercial and cost-effective manner, thus contributing to our customers’ operations. We work close to our customers and maintain a close dialogue, which gives us a deep understanding of their operations.

**More satisfied customers via improved customer dialogue, CSI.**

Target, 2019	Result, 2019
Next survey 2020	Not measured in 2019

Satisfied customers are a prerequisite for our long-term success. To ensure that customers are satisfied with our premises and our service, we measure the customer satisfaction index (CSI) every other year.

**New target for 2020: Invest at least SEK 1.2 billion per year.**

Target, 2020	Target, 2024
SEK 1.2 billion	SEK 1.2 billion

We are competitive and invest in secure facilities to meet the needs of the market.

Best at security



Security is one of Specialfastigheter’s core values and security issues are always our highest priority. We aim to be the property owner best able to meet both its own and its customers’ requirements and high expectations relating to security, expertise and support in an innovative and responsible manner.

**Ensure effective compliance with the new protective security legislation.**


Target, 2019	Result, 2019
Approved in-house audit	Achieved successful audit

**New target for 2020: Maintain certificate of information security (ISO 27001:2013).**

Target, 2020	Target, 2024
Maintained certification	Maintained certification

Customers’ information is safe with us.

**Strong long-term profitability**



We have a long-term task from our owner to manage our property holdings sustainably and minimise the state's over all costs together with our customers. Long-term profitability is a crucial aspect of fulfilling this task.

**Net profit after including changes in value and associated deferred tax, at 8% of average equity.**


Target, 2019	Result, 2019
8%	<b>10%</b>
Target, 2020	Target, 2024
8%	8%

**Equity/assets ratio in the 25–35% range.**

Target, 2019	Result, 2019
25–35%	<b>39%</b>
Target, 2020	Target, 2024
25–35%	25–35%

We create long-term value for customers and society.

**Responsibility for the environment and climate**




Our operations and properties affect the environment throughout their lifecycle, from planning and construction to management, redevelopment and demolition. For this reason, we adopt a long-term approach in every part of our business and collaborate with players in our value chain to ensure a fossil-free and competitive property sector.

**Reduce CO<sub>2</sub> emissions from purchased energy by 75% between 2012 and 2030. (2012: 9 kg CO<sub>2</sub>/sq m Atemp.)**

Target, 2019	Result, 2019
Reduction of 56%	<b>54%</b>
Target, 2020	Target, 2024
Reduction of 59% (from 2012)	Reduction of 67% (from 2012)

We adopt a climate-smart approach together with customers and other stakeholders.

**Proactive skills sourcing**



In order to achieve our targets, we need the right skills. Proactive skills sourcing is therefore a central strategy for Specialfastigheter. We are a geographically diverse organisation, which means we need independent and committed employees who can provide every customer with the service they demand.

**Become a more inclusive employer by increasing the number of employees with a foreign background.**

Target, 2019	Result, 2019
12%	<b>12%</b>

**New target for 2020: We must have an inclusive work environment. Carry out at least one activity per unit that promotes equal treatment.**

Target, 2020	Target, 2024
Carry out at least one activity per unit	A new target will be produced from 2021

Equal treatment in everything we do is important for a sustainable society.

# Our business creates sustainable value

## Our strengths and assets

### A secure and sustainable business

Specialfastigheter is a market leader in secure facilities. Extensive experience and skills within the area of security and long-term approaches to business relationships are our main strengths and competitive advantages.

### Stable customer relationships

Collaboration, proximity and dialogue with our customers with security requirements are at the core of both our ongoing management, and our long-term planning and development of secure facilities. We have internally governed customer-centric management.

### Our property portfolio

We have a focused portfolio of sustainable and customer-adapted secure facilities spread over some 70 municipalities. We work proactively to develop our property holdings in line with customers' changing needs.

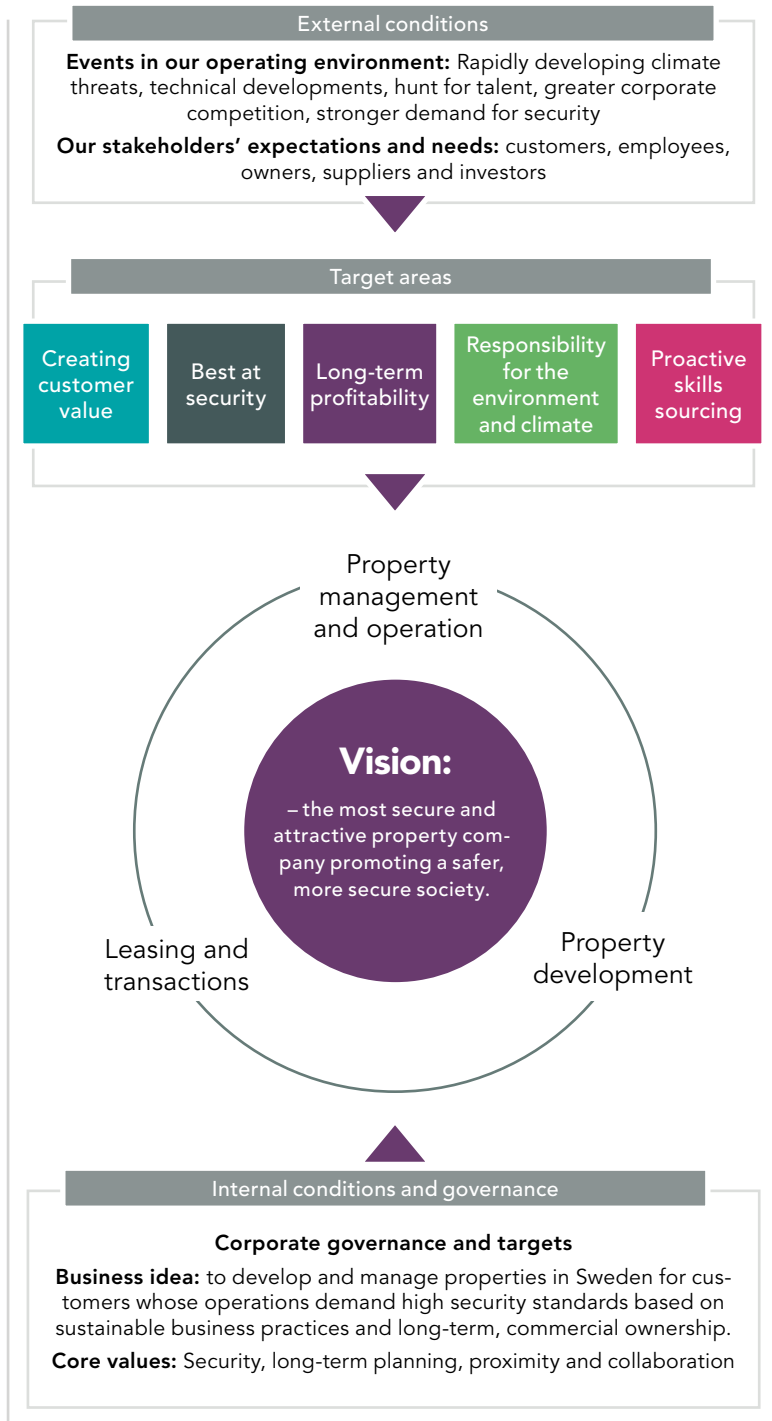
### Strong financial position

Our strong profitability is based on our long leases – which provide us with a stable cash flow – and the low interest rate level of recent years. We have surplus value in our properties, a high equity/assets ratio and a high credit rating, AA+. Having the Swedish state as our owner ensures we have a stable foundation.

### Collaborations that create value



We develop and meet the growing demand for secure facilities in close collaboration with our customers and suppliers. We take a proactive and long-term approach to resource and skills sourcing, both with regard to our own employees and external business partners, to create cost-effective, innovative and sustainable solutions.

## Our business



Specialfastigheter helps create a safer Sweden by offering efficient and security-adapted properties to customers with security requirements. We hold a strong basic position that we continuously improve – always in partnership with our customers and suppliers.

## Value created for stakeholders

Customers	
	<ul style="list-style-type: none"> <li>Continued delivery of customer-adapted, sustainable secure facilities in close to 70 municipalities, which help customers fulfil their societally important tasks</li> <li>Standard buildings constructed for the Prison and Probation Service and SiS</li> <li>Development of properties, investment volume in 2019 of SEK 1,029 million. Investigation projects looking at capacity increases for the Prison and Probation Service and preliminary studies for future projects for the Swedish National Board of Institutional Care.</li> <li>Strategic dialogues with our largest customers about the environment and climate</li> <li>Adaptation to the new Protective Security Act</li> <li>Sustainable properties throughout their life cycle</li> <li>Robust finances for long-term collaboration and investment</li> </ul>
Investors	
	<ul style="list-style-type: none"> <li>Borrowing in corporate bonds and commercial paper at a value of around SEK 14 billion</li> <li>High credit rating (AA+) confirmed by Standard &amp; Poor's</li> <li>Structured risk management</li> <li>The state as our owner along with an owner clause entitles investors to redeem their securities early if state ownership falls below 100%</li> </ul>
Owner	
	<ul style="list-style-type: none"> <li>Adjusted return on equity of 10%</li> <li>Property value of SEK 29 billion</li> <li>Equity/assets ratio of 39%</li> <li>Contributed to a more secure society by using our security expertise to support authorities in their strict security requirements</li> <li>Certified within the area of information security</li> <li>Reduced CO<sub>2</sub> emissions by 54% compared with the base year 2012</li> <li>Ambitious sustainability initiatives reported in line with GRI</li> <li>Reduced CO<sub>2</sub> emissions from business travel by 12%</li> </ul>
Suppliers	
	<ul style="list-style-type: none"> <li>More in-depth dialogue with our suppliers about sustainability via workshops</li> <li>"Entreprenadfabriken" (Contract factory) – strategic collaboration with contractors and consultants</li> <li>Conducted seven on-site audits among suppliers</li> <li>Developed ourselves as a purchaser, including through membership in the Swedish Construction Clients Forum</li> <li>Worked to reduce the number of workplace accidents via membership in the Håll nollan (Keep to Zero) initiative.</li> <li>Enhanced efficiency by reducing suppliers to around 1,100 (compared with 2,000 suppliers in 2008)</li> <li>Total purchasing value in 2019: SEK 1,560 million</li> </ul>
Employees	
	<ul style="list-style-type: none"> <li>Increased the number of employees with foreign backgrounds to 12%</li> <li>Focused on becoming a more inclusive workplace characterised by diversity and equality</li> <li>Salaries and other remuneration in 2019 amounted to SEK 90,455,000 of which SEK 14,640,000 related to pension expenses. The number of hours spent on skills development totalled 6,310 during the year, or nearly 40 hours per person, per year.</li> </ul>

## EXTERNAL CONDITIONS AND STRATEGIES

The world is changing at an accelerating pace, both for the better and for the worse. Climate change, technological developments, increased criminality and a more turbulent operating environment are just some of the many external conditions that affect Specialfastigheter. Our value chain and our target areas help us understand our role and how to navigate correctly. The state's ownership policy, the company's targets and the UN's sustainable development goals are also at our core. Creating customer value is a key issue for us.







# Secure facilities – an increasingly attractive market

From the perspective of a property owner, the secure facilities market is an interesting one characterised by very long leases and public-sector customers who are able to guarantee secure revenue. This is tempting a growing number of players and Specialfastigheter is therefore seeing increasing competition.

There are currently around ten competitors within the same area as Specialfastigheter. Some are traditional property companies who are able to plan construction in addition to property management, while others are pure construction companies who only build and do not manage. We are seeing increasing competition for Specialfastigheter when entering procurements.

### Secure facilities require a long-term approach

In line with the new Protective Security Act introduced on 1 April 2019, requirements were also expanded for property owners who have tenants in operations connected to Sweden’s security. Fundamentally, protective security is primarily the responsibility of the operators, which could be the Swedish Armed Forces, the Police or authorities who handle security-classified information. However, property owners also have grounds to analyse and review security, both within the company and at properties containing tenants with security requirements.

Managing and maintaining a property with security requirements is costly. There is extensive administration; for example, contractors and suppliers need to be reviewed and approved from a security perspective before they can be employed, and guidance is often required during the actual work. We deem it important for authorities to detail security-related requirements in their enquiries, but also in terms of their long-term activities and management.

There are currently no restrictions on what kinds of companies can acquire or build secure facilities. Short-term

owners with a focus on quick returns through transactions could sell their secure facilities on. A risk analysis of the ownership should therefore be carried out at an early stage of a procurement and when selecting a landlord.

### Greater focus on security

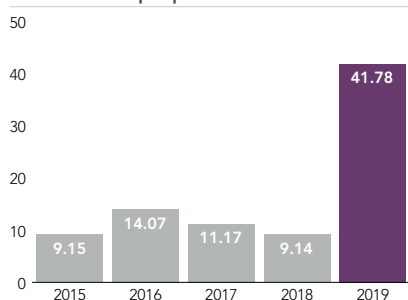
Public debate in 2019 largely focused on security in our cities, due to an increase in gang-related violence and explosions. The political discussion was also characterised by increased demands for police presence, for faster procedures within the judicial system and for a tightening of penalties. There was also a larger allocation for the judicial system in the budget based on the January agreement. For 2020, budget allocations for the judicial system amounted to SEK 51.7 billion, an increase of SEK 2.7 billion on 2019.

### Full correctional facilities

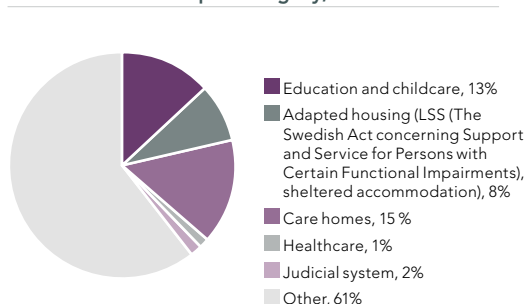
After several years of lower occupancy at Swedish correctional facilities, average occupancy began to rise in autumn 2018. This trend continued in 2019 and a shortage of places in remand centres and prisons has been reported by both the Prison and Probation Service and the Police over the past year. At the end of the year, occupancy at correctional facilities (excluding emergency spaces) stood at 101%.

The need for spaces has also increased in detention centres among those awaiting deportation following a decision by the Swedish Migration Agency. The Police have been required to increase their efficiency, and there is a risk that places at detention centres and prisons will not be sufficient in the future.

Public sector properties transaction volume, SEK billion



Transaction volume per category, %



Demand for public sector properties has increased considerably, as shown by the transaction volume for 2019. The volume is based on 58 known transactions during the year. Transactions in which smaller parts of a portfolio pertain to public sector properties and whose distribution is not known have been excluded. SBB's purchase of Hemfosa accounts for SEK 24 billion (can be found under Other). Source of diagrams: CBRE

### Changing needs among customers

The Prison and Probation Service is planning for an expansion of 2,000 standard places over the coming ten years, of which 1,400 will be in correctional facilities and just under 600 will be in remand centres<sup>1</sup>. New construction is under way at Skenäs and Hall with the aim of creating up to 266 new places. There is a major need for renovation as several of the buildings are old and run down.

The government's budget gave the Prison and Probation Service an extra SEK 200 million in appropriations in 2019. Over the coming years the extra allocation will amount to SEK 130 million in 2020, SEK 569 million in 2021 and SEK 729 million in 2022. In addition to extensions and redevelopments, these allocations will also cover the cost of rents and more staff.

To manage the rising need for care of children and young people, the National Board of Institutional Care, SiS, has made huge investments over the past few years to increase care accommodation capacity. Efforts to modernise the portfolio of premises through new investments will continue in the future in order to meet the requirements for improved care and increased security.

An increase in the number of police is leading to greater needs for premises and some police stations require an

upgrade. All premises should satisfy the requirements for security and a good environment. The Police therefore have a considerable need for premises across the country and premises supply plans for the coming years have been drawn up for each police region.

Rising criminality and a greater terrorism threat have led to security issues playing an increasingly important role in the country's courthouses. Some district courts need to adapt and change their construction in line with expanding security requirements.

### Increased demand for environmentally certified buildings

Specialfastigheter is seeing a shift in the market where more customers are demanding environmental construction, both for new builds and redevelopments, and where environmental certifications play an important part. Environmental certification will become more important in terms of funding operations using green bonds. We are also noting that public authorities are clarifying their environmental requirements more often in their guidelines to those areas of their organisations that make purchases.

1) Report from the Prison and Probation Service, "Prison and Probation Service capacity" (in Swedish), 24 February 2020

## Trends in the operation environment

### Accelerating climate threat

According to Sweden's climate policy framework, Sweden is to be free from "net emissions" of greenhouse gases into the atmosphere by 2045. Rapid and extensive reductions in CO<sub>2</sub> emissions are therefore required on a major scale. Heating, domestic hot water and property energy of buildings (excl. household energy and operational energy) corresponds to around 30% of Sweden's total energy use<sup>2</sup>. The construction phase accounts for around 50–60% of the CO<sub>2</sub> emissions of newly built properties over their lifecycle<sup>3</sup>. The production of building materials accounts for some 80% of the construction phase's climate impact<sup>4</sup>.

Biodiversity is under threat. Out of all the mammals, birds, fish, amphibians and reptiles that were found on Earth in 1978, only 40% of them now remain. This figure will fall to one third in just two years if the trend is not broken.

### Technological developments

Technological developments are progressing at a dizzying pace, while the communication flow is accelerating and moving in new directions. Innovation, digitalisation and AI entail major opportunities but also impact on security and can create vulnerabilities. Technological developments offer opportunities to reduce climate emissions and to contribute to a reduction in the burden on the environment, for example by way of more efficient energy use. Within the property sector we can see how proptech, or the digitalisation of properties and processes linked to property development and management, are gaining increasing importance.

### The hunt for talent

Competition for the best talent is stiffening. An attractive employer must be able to offer challenging work tasks, skills development and free and flexible working arrangements that give employees the opportunity to control their work-life balance. Competition for the best suppliers is also ramping up. The prop-

erty sector is attractive, but a high retirement rate in the future will increase the need to recruit more people as replacements. The labour market supply of skills relevant to the property sector (in particular technical skills) remains limited among women and people from a different ethnic background.

### Increased business competition

The market for secure facilities is buoyant and competition is fierce for customers with long leases. Many investors are looking for investments – ideally with a green profile – with low returns. The Swedish state does not always increase appropriations to its agencies in line with cost trends, and customers are streamlining in parallel with some of them receiving real resource enhancements. Sustainability aspects are often important in terms of the choices customers make. Customers also want greater transparency; for example, demand is rising for leasing models where rent levels are openly reported.

### Deteriorating security situation

The security situation has deteriorated both in Sweden and globally. Awareness of security issues has risen in pace with new technology and digitalisation, influence operations, the threat of infiltration, gang criminality, explosions and terrorist attacks. This security situation has led to more customers demanding more secure properties, new security solutions and/or security expertise. Increased appropriations to law enforcement authorities will lead in the long term to more prosecutions, which will increase the need for secure facilities.

2) Roadmap for fossil-free competitiveness initiative – Construction and civil engineering sector

3) Report from The Swedish Construction Federation, "Minskad klimatpåverkan från nybyggda flerbostadshus" (Reduced climate impact from newly built multiple-family dwellings, in Swedish)

4) Roadmap for fossil-free competitiveness initiative – Construction and civil engineering sector

# Collaboration to ensure sustainable business

We should set an example within the area of sustainable business. We achieve this by balancing and uniting financial, social and environmental aspects in our operations, which is supported by the state’s ownership policy, the company’s strategies and goals and the UN’s SDGs. Through close collaboration with our stakeholders, we are developing sustainable business.

For us, setting an example involves managing and developing every part of our business in a sustainable manner and being at the forefront of developments where they are required and wherever possible. As a state-owned company, we have a particular responsibility to set a good example in terms of acting in a way that fosters confidence in us. Based on the operations we manage, risks and opportunities can be found throughout the value chain and our ability to influence developments are to a large extent dependent on other players. Collaboration and dialogue with our stakeholders is thus of vital importance.

### A dialogue that develops our operations

The dialogue with our stakeholders helps us to continuously develop and improve our operations, not least from a sustainability perspective. The stakeholders, who both influence and

are influenced by our operations, have a major impact on our sustainability initiatives. Our main stakeholders include customers, suppliers, employees, investors and our owner. Naturally, it is not always possible to pursue a direct dialogue with our customers’ customers, but our tenants make sure that they represent them and convey their interests during our discussions.

We pursue a regular dialogue with stakeholders as part of our day-to-day operations, of which sustainability-related issues form a part. In 2019, for example, we carried out several environmental training sessions together with the Prison and Probation Service. We have pursued strategic dialogues about the environment and climate with our biggest customers, with the aim of understanding each other’s ambitions and increasing collaboration in terms of these two areas.

Our suppliers are increasingly interested in collaborating in terms of sustainability issues and are often positive about the requirements we set. We have expanded the dialogue we have surrounding sustainability with our framework suppliers for major and medium-sized contracts through focus workshops with varying sustainability themes that we decide on together. By participating in the *Roadmap for fossil-free competitiveness initiative: Construction and civil engineering sector*, we get the opportunity to pursue a dialogue with a range of stakeholders in our value chain.

The dialogue with our owner surrounding sustainability issues is integrated with other ownership issues.

This year’s stakeholder dialogues have confirmed that we are focusing on the right sustainability issues based on our stakeholders’ perspective.

## Stakeholder dialogue

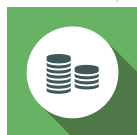
In their dialogue with us, our main stakeholders have highlighted the following areas as having particular importance:



### Customers

- Develop and supply secure, tailored premises
- Satisfied customers who are able to focus on their operations
- Sustainable choice of materials that ensure a long lifespan and non-toxic environments

- In-depth collaborations surrounding procurement and purchasing
- Robust finances for long-term collaboration and investment
- Collaborations surrounding energy enhancements and renewable energy



### Investors

- Sustained long-term profitability
- Maintained high credit rating
- Green investments and green financing
- Sustainability in the construction phase



### Owner

- Contribute to a safer society
- Reduce CO<sub>2</sub> emissions throughout the value chain
- Sustainable supply chain over several stages
- Work environment in construction projects



### Suppliers

- Long-term, strategic and mutually beneficial relationships
- Collaboration over several stages
- Sustainable supply chain
- Clear requirements for procurements



### Employees

- Attractive employer with good working conditions
- Skills development
- Meaningful work that contributes to a safer society and satisfied customers
- An inclusive workplace characterised by diversity and equality

# Material sustainability areas

Our stakeholder dialogues, continuous monitoring of our operating environment and analysis of our business’s sustainability impact all form the basis of our materiality analysis. Based on this, the management has prioritised eight areas deemed to be most significant for Specialfastigheter from a sustainability perspective. This year, Waste has become an area of its own as we want to demonstrate how important it is for the construction


















and property sector to reduce the amount of waste and become more circular. Biodiversity also represents a significant sustainability area based on the critical situation facing many species of animal and plant and our impact as a land and property owner. Three material sustainability areas have been removed. We have opted to treat Security as our unique competitive advantage rather than a sustainability area. Customer satisfaction

and Financial profitability have also been removed; these are basic pre-conditions for all business operations. Specialfastigheter’s governance of, and work involving, our sustainability efforts are reported in detail in various chapters of this Annual Report and Sustainability Report. Page 52 contains a thorough description of how we translate our prioritised sustainability areas into GRI standards.

## Our material sustainability areas

Material sustainability areas	Why material?
<b>CO<sub>2</sub> emissions</b>	There are significant CO <sub>2</sub> emissions during the production of materials, construction, occupancy and operation of properties.
<b>Energy</b>	A property’s lifecycle involves considerable energy use. The type of energy we select from suppliers, in projects and at our properties has an impact on CO <sub>2</sub> emissions.
<b>Materials and chemical products</b>	We use large amounts of materials as part of our operations. Our selection of materials is relevant to both the environment and people’s health.
<b>Waste</b>	There is a significant amount of waste, including hazardous waste, from production and demolition of buildings.
<b>Biodiversity</b>	We are a major land and forest owner. When we exploit the land and manage our properties, we have an impact on natural ecosystems and risk changing or destroying significant habitats.
<b>Work environment</b>	Our supply chain entails a significant risk of work environment injuries. We care about both people and the environment. Health and safety are crucial in terms of our ability to be an attractive employer and to deliver quality.
<b>Equal treatment</b>	The company is to reflect society from a diversity perspective in order to be an attractive employer and landlord. We do not tolerate any form of discrimination.
<b>Anti-corruption</b>	The property sector entails risks as it involves major investments and complex transactions with many parties involved.

## Our significant sustainability areas relate to the UN’s 17 SDGs.

<b>PRIORITISE</b>	    	<p>Areas that are strategically prioritised from a sustainability perspective, based on the seriousness of climate change and the impact our business has in terms of <b>use of materials, waste, energy use, greenhouse gas emissions</b> and impact on <b>biodiversity</b>. These issues require real efforts on our part as a company. We are convinced that collaboration and partnerships are required to solve the major challenges facing us.</p>
<b>MANAGE</b>	     	<p>Areas we manage actively for long-term financial results, such as customer satisfaction, security, a good <b>work environment, equal treatment</b> and good working conditions both internally and throughout our supply chain. We should be open to technical innovation that contributes to sustainable cities and a sustainable society.</p>
<b>TAKE NOTE</b>	     	<p>Areas of which we take note in our daily work, such as strong business ethics <b>free from corruption</b>, promoting life-long learning, contributing to indirect economic development by way of creating jobs, managing water resources and minimising emissions into the sea and waterways.</p>

**Bold text** = Specialfastigheter’s material sustainability areas

## Sustainability in our value chain

Our operations and properties affect a range of sustainability areas throughout the properties' lifecycle, from planning and construction to management, redevelopment and demolition.

We therefore take active steps to reduce our negative impact and increase our positive impact, both in our operations and in other parts of the value chain. Strategic collaborations and dialogues with our stakeholders, as well as requirements placed on our framework suppliers, are important parts of these efforts. Expanding our influence further down our supply chain poses a major challenge; collaboration with our suppliers is critical if we are to achieve this.



### 1. CONCEPT AND PLANNING

Investigation and planning phase ahead of construction or maintenance of a property. Requirements governing functionality and the choice of materials are defined here.

#### Material sustainability areas

In this stage the conditions governing the impact of the construction process are set, particularly in terms of:

- CO<sub>2</sub> emissions
- Energy use
- Biodiversity
- Sustainable materials and chemicals
- Human rights

#### We can have an impact through

- Financial governance
- Requirement to obtain SGBC Gold for new builds and Silver for redevelopments
- Set requirements and monitor the choice of products and suppliers
- Green financing
- Collaboration over several stages

#### Our current influence

Major ○ ○ ●



### 2. PRODUCTION OF CHOSEN MATERIALS

Involves production of the building materials and other resources that will be used – from extraction of raw materials to transport, refinement and manufacturing.

#### Material sustainability areas

- Energy use and fossil-free energy
- Reuse and recycle materials
- Chemical use
- CO<sub>2</sub> emissions from construction
- Human rights
- Biodiversity when extracting raw materials

#### We can have an impact through

- Placing requirements on and monitoring suppliers and enforcing requirements corresponding to our Code of Conduct lower down the supply chain
- Participation in sustainability initiatives

#### Our current influence

Minor ● ○ ○

1.  
Concept and  
Planning

2.  
Production  
of chosen  
materials





### 5. FINAL STAGE

Involves the processes required to demolish and transport building components for reuse, recycling or landfill.

#### Material sustainability areas

- Waste management
- Reuse of materials
- CO<sub>2</sub> emissions from transport and waste product management
- Biodiversity
- Work environment
- Human rights

#### We can have an impact through

- Setting requirements for and monitoring suppliers and ensuring requirements corresponding to our Code of Conduct among subcontractors
- Participation in sustainability initiatives

#### Our current influence

Moderate ○ ● ○



### 4. OPERATIONS AND PROPERTY MANAGEMENT

Involves the use, maintenance, repair and operation of the buildings. This also involves electricity, heating and water use as part of operations, for example.

#### Material sustainability areas

- Energy use and fossil-free energy
- CO<sub>2</sub> emissions from energy use
- Reuse of materials and more sustainable materials and chemicals
- Reduce the amount of waste and spillage
- Biodiversity during management
- Work environment
- Anti-corruption

#### We can have an impact through

- Green lease agreements with customers
- Media dialogue, internally and with specialists
- Setting requirements for and monitoring suppliers and ensuring requirements corresponding to our Code of Conduct among subcontractors
- Collaboration over several stages
- Participation in sustainability initiatives

#### Our current influence

Major ○ ○ ●



### 3. CONSTRUCTION

Involves the transportation of building products to the construction site, establishment and completion of the buildings.

#### Material sustainability areas

- Energy use and fossil-free energy (during establishment)
- CO<sub>2</sub> emissions from transport
- Reuse of materials and more sustainable materials and chemicals
- Reduce the amount of waste and spillage
- Biodiversity when exploiting the land
- Human rights
- Work environment
- Anti-corruption

#### We can have an impact through

- Setting requirements for and monitoring suppliers and ensuring requirements corresponding to our Code of Conduct among subcontractors
- Collaboration with other parties throughout the construction phase
- Participation in sustainability initiatives

#### Our current influence

Moderate ○ ● ○

# Our core target areas

Our target areas serve as important tools in our efforts to manage, take decisions on targets and activities, prioritise and monitor operations. Clear targets for both the long and short term help ensure our ability to adjust to changing needs and steer our operations in the right direction.

## Creating customer value

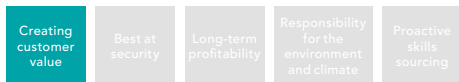
Best at security

Long-term profitability

Responsibility for the environment and climate

Proactive skills sourcing





**Target area – Creating customer value** > The very foundations on which we can create functional and cost-effective premises that correspond to customers’ needs and wishes are long-term planning, proximity and collaboration with customers. In the end, it is a matter of being able to offer the right property or premises for the right operation.

Specialfastigheter has a clear assignment – to supply premises in a commercial and cost-effective way to operations with security requirements. Being the leader in secure facilities places stringent requirements on our properties, our collaboration with customers, our monitoring of the operating environment and how we perform.

**Close dialogue across different levels**

Close customer contact at several levels – locally, regionally and centrally – is crucial in terms of pinpointing the most significant areas for our customers and thus helps us to prioritise development work. Regular meetings that are followed up provide valuable information for both our short- and long-term planning. The business unit is responsible for letting and transactions, while out at the properties our service technicians and property managers have daily contact with customers as part of ongoing work. The stakeholder dialogue is also an important forum for collaboration.

In order to ensure efficient planning, our work is based on long-term management plans produced for each property. These plans guarantee long-term maintenance, performance quality, volume control and clear follow-up procedures.

**Digitalisation and sustainability in the spotlight**

Digitalisation of our property automation processes and information flows improves efficiency as it increases searchability and accessibility. During the year we appointed a CIO to work on these issues at a strategic level.

We work to provide sustainable property management in collaboration with our customers. At the turn of the year, 93% of our leases had a green appendix while 96% of the green appendices had an accompanying green action plan that is regularly reviewed. We held central environmental and climate meetings with major customers in 2019 in order to further develop these areas together and establish sustainability values such as healthy environments and climate-smart buildings.

**Regular customer surveys**

To ensure that customers are satisfied with our premises and our service, we conduct customer surveys every other year that provide us with tangible proposals for improvement. The next survey will be conducted in 2020.

Strategies for value creation	
Strategies for creating customer value	Examples of activities undertaken in 2019
Develop sustainable internal and external environments and acquire, redevelop and build to the value of at least SEK 1 billion per year.	Redevelopments, extensions and new build projects for SiS at Folåsa, Gudhem, Stigby, Johannisberg, Ljungbacken, Ljungaskog, Björkbacken and Hässleholm. New construction of standard buildings at the Skenäs correctional facility. Preparatory works for the new residential section at Hall correctional facility.
Ensure delivery that is so efficient, secure and sustainable that customers can focus entirely on their core operations.	We constructed standard building solutions for SiS and began building standard buildings for the Prison and Probation Service. We are further developing our concept for long-term supplier collaboration, known as the Contract Factory.
Enhance the efficiency of our property management by following digital trends and embracing new and tested technology.	We launched a review of our strategy for property automation, to enable optimised and energy-efficient operation by using operationally secure technology to obtain digital control over our properties’ climate systems.
Together with our customers, continuously produce updated plans for premises’ requirements, both now and for the future.	Discussions about increasing capacity at various correctional facilities are ongoing with the Prison and Probation Service. Extra spaces for the treatment of young people and addiction have been built or are in production for SiS.
Attract customers by way of active market analysis and attractive offerings.	We participated in the majority of procurements for new establishments.
All leases are to have a green appendix and an action plan drawn up with the customer that contribute to the joint achievement of our environmental targets.	93% of our leases have green appendices, of which 96% have joint action plans. We held central environmental and climate meetings with major customers in 2019 in order to further develop these areas together.



# “We are in the middle of the biggest expansion in the history of our operations”

The Swedish National Board of Institutional Care, SiS, is responsible for individually tailored compulsory care for young people and addicts. SiS is in the middle of a major project to increase capacity, the biggest expansion in the history of its operations. It involves new accommodation but also premises for a school, for example. Jan Berg is Property Planning Manager and Lisa Steneberg Environmental Coordinator at SiS.

## What differentiates an SiS property from other properties?

*Jan Berg:* Our 34 institutions are spread across the country, from Kalix in the north to Lund in the south. A typical SiS facility looks like a small village with a cluster of buildings. These could be anything from 19th-century buildings to buildings built in the 2000s. A certain level of security is required for most of the buildings; it must be possible to lock them as many of the people we care for need to be incarcerated – at least in the beginning. At the same time, we need to ensure the premises feel as homely as possible. It’s a difficult balancing act ensuring both a secure environment and a caring one.

## Paint a picture of your collaboration with Specialfastigheter in terms of increasing capacity?

*Jan Berg:* Specialfastigheter is deeply involved in the construction project. We have a close collaboration in terms of the development of standard buildings for accommodation, schools and sports halls. We at SiS have set the requirements and Specialfastigheter has ensured that the project lives up to them. As Specialfastigheter owns a large proportion of the properties in which our institutions are based, we have been able to drive this increase in capacity forward efficiently.

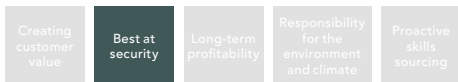
## What are your most important sustainability issues?

*Lisa Steneberg:* We take a broad approach to sustainability. Together with Specialfastigheter, we are currently examining how we can best improve biodiversity at the properties

– when designed correctly, this kind of environment can even benefit the care we provide. One of our priorities is the expansion of charging infrastructure, as impending new legislation will essentially mean all of our vehicles will need to be green vehicles. We are also assessing the option of placing solar panels on the roofs. Energy use is a complex issue – our operations sometimes require a lot of fresh air and sometimes our inmates freeze, meaning extra radiators are required for their rooms. Cleaning is often part of the operations of many of our institutions and is carried out by the inmates as part of their care; they learn to take responsibility. However, cleaning also involves handling chemicals and so we need to find a way to manage the doses. Last but not least, we’ve reviewed our travel practices and introduced digital meetings wherever possible. For example, we’ve reduced the number of construction project meetings after putting pressure on the contractors, along with Specialfastigheter, to install the technology required for digital meetings.

## What are the major challenges moving forward in terms of properties?

*Jan Berg:* Many of the buildings are old and run down, and it can often be a major challenge getting them to function for our operations. Will you renovate or build new facilities? The authorities place the same requirements on premises regardless of whether they are old, redeveloped or newly built. There is also a vital sustainability aspect here – how can we best make use of the Earth’s resources?



**Target area – Best at security** > We have our own niche within public sector properties – secure facilities. Specialfastigheter aims to be the property owner best able to meet both its own and its customers’ requirements and expectations relating to security, expertise and support in an innovative and responsible manner.

Our customers’ operations require us to maintain high standards of proficiency, confidentiality and commercial prowess. In many cases, Sweden’s security may be involved. The way we work with security is described clearly in our business plan and in our joint business management system. We work closely with our customers, but we always respect their integrity during any collaboration.

Our principal should obviously feel secure with us at every stage – from planning and construction to management and development. Security is therefore one of Special-

fastigheter’s core values and security issues are always our highest priority. For this reason, we established the term “secure facilities”. By this, we mean properties that are adapted for operations that require security.

In order to accomplish our task and achieve our vision – the most secure and attractive property company promoting a safer, more secure society – we have mainly concentrated on four areas of security. Read more about them on page 24.

How we work to ensure we’re the best at security

**Knowledgeable, security-vetted personnel**

The skills, awareness, interest and commitment of our employees are all factors for success that ensure we succeed in our security efforts. Continuous skills development in the area of security is therefore a natural part of all employees’ work. Security also forms a central part of our recruitment process. We have a tried-and-tested concept using a special security assessment that covers all employees and reduces the risk of incorrect recruitment from a security perspective.

**Continuous risk analyses**

By systematically identifying, evaluating and managing operational risks, we gain an understanding of how we can effectively keep them under control. The most significant risks are followed up at least twice a year during management reviews and once a year by the Board. The international risk management standard ISO 31000:2018 guides our work in this area. Read more about our risk management on pages 45–49.

**Incident reporting**

By continually following up on reported incidents, we create the right conditions for early follow-up of near-accidents, injuries and circumstances that may have a negative impact on assets requiring protection, such as individuals, tangible and intangible resources, the environment, our credibility or our finances. Read more about our incident reporting efforts on pages 24 and 55.

**Ethics and anti-corruption**

Specialfastigheter’s work is founded on our core values. For us, an upright, ethical approach to all business relationships is a given – we must be a strong, reliable, business partner. We have an internal sustainability policy and a Code of Conduct that describe the company’s requirements regarding our employees and which form the basis of how each of us should behave in relation to ethical matters. To ensure that information and knowledge concerning business ethics is accessible throughout the organisation, we regularly hold discussions about ethics at each unit as well as annual training courses for purchasers.

Specialfastigheter never accepts bribes or any other form of corruption, and we have had a whistle-blower system in place since autumn 2013 that enables people to draw attention anonymously to irregularities or unsatisfactory conditions at our organisation.



No cases were reported during 2016 or 2017, while two cases of whistle-blowing were registered in 2018. Two cases were reported in 2019. Both were handled and written off.

**Continuity planning**

Continuity planning is based on the most important core processes and support processes. These are the processes that must be prioritised when returning to normal or other decided level of operation in the event of breakdowns or catastrophe.

**Protective security**

Major efforts have been made to adapt to the new Protective Security Act – the legislation and accompanying instructions drawn up by the Swedish Security Service. This has been achieved through training and the creation of a technical support system. To reinforce our efforts, we established and appointed a new post: Protective Security Coordinator.

## Focus on four security areas

### Personal security



The area of personal security comprises the safety and security of our employees, partners and customers. Our incident reporting system provides us with extensive knowledge of risks and allows us to proactively take damage-prevention measures. Some of our employees work in environments where an increased understanding of their own behaviour can reduce their exposure to risk and lead to increased safety and security. According to the Swedish Work Environment Authority, the number of reported work-related accidents linked to threats, violence or assault have increased consistently over the past few years for both men and women. We at Specialfastigheter have not witnessed such an increase, but we are continuing to work on preventive measures, such as through our annual training in how to manage threats and violence at work.

### Operational reliability



A high level of operational reliability around the clock is a prerequisite at many of our properties, as they fulfil vital societal functions. Improvements are constantly being made to our property management organisation in order to lead to greater efficiency and security. Rapid technological developments within the area of property automation demand robust operating systems, good planning and conscientious employees, which we supply through our own personnel who are not only well acquainted with the properties and the technical installations, but also customers' needs.

During the year we quality-assured and created a uniform structure for supervision, management and systematic fire prevention at all of our properties to enhance efficiency and security.

### Physical security



Physical security is important in terms of our ability to establish a high level of security to protect both our own operations and those of our customers. It primarily consists of technical and mechanical security solutions, such as access protection, electronic access systems, automatic fire and burglar alarm installations, reinforced doors, windows, roofs and wall structures.

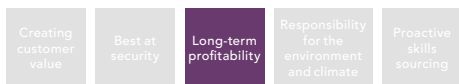
As part of the requirements we have established in our security protection agreements, Specialfastigheter continued its work to ensure balanced operational security in 2019. We also carried out more work on security-enhancing measures at a number of correctional facilities and developed general technical security solutions that will be used in future projects.

### Information security



Protecting both our own and our customers' information assets is a high-priority issue for us. We must be able to trust that all information – both our own and that which we manage on behalf of our customers – is always accessible, correct, traceable and protected against unauthorised access. Our customers, our operating environment and we ourselves all undergo changes, meaning we invest a lot of time in adjusting our security protection agreements and accompanying security instructions.

During the year we underwent a periodic audit of our information security certificate in line with ISO 27001:2013 and enhanced our organisation by appointing a protective security coordinator and an IT security specialist. Our management system for information security means we are well equipped in terms of the Protective Security Act's legal requirements.



**Target area – Long-term profitability** > Ensuring we have long-term profitability is a crucial aspect of fulfilling the task set by our owner and of satisfying our customers’ high expectations throughout the entire lease period. We must therefore manage our property holdings sustainably and with total efficiency from an ownership perspective.

**Minimise the state’s total costs**

The owner’s intention is for us to work with our customers to minimise the state’s total costs. We can achieve this by providing secure, adapted and sustainable premises in a commercial and cost-effective manner, thus contributing to our customers’ operations.

Our capital structure target is the equity/assets ratio, which determines how we finance our assets and is thus an important control instrument in terms of our level of risk. To achieve clarity in our benchmarking while also enabling the necessary flexibility in terms of our financing, our owner’s target equity/assets ratio is expressed as a range from 25 to 35%. The result for 2019 was 39%. Another target used to ensure long-term profitability is adjusted return on

equity of 8%. The result for 2019 was 10%, which shows that we remain efficient in terms of our business and that we have a strong and effective financial management system.

**Managing and monitoring constant improvements**

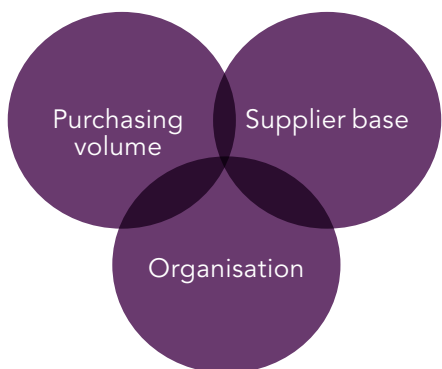
We are constantly working to improve our management and monitoring to ensure we achieve our established corporate targets. It is very important for the entire business to be involved in this, meaning both managers and employees, and we make sure we provide and develop working methods and IT support systems that facilitate their work and create the right focus. In 2019, we began implementing a project management tool and started work on a document and case management system.

**Improved delivery quality**

**Efficient purchasing thanks to solid purchasing strategy**

A clear, well-rooted purchasing strategy based on a balance between our purchasing needs identified by a spending analysis, our supplier base and how the organisation for purchasing is designed, is a prerequisite for the long-term development of our purchases in relation to cost, quality and risk. Our purchasing strategy also gives us excellent conditions to work on sustainability in an effective way throughout our supply chain.

To extract the greatest value possible from the supply chain and ensure our ability to act in a planned and structured manner, we have developed a purchasing organisation in which a central unit is responsible for strategic initiatives, procurement and signing of all agreements. We can specify our needs and requirements for products and suppliers by categorising our purchases into product areas and based on various market conditions. This also gives us the basis on which to develop individual strategies and the right supplier structure for each contract area. This way we can adopt a long-



Efficient purchasing is based on these three factors.

term approach to developing our supplier relationships, promote experience-based feedback and thus ensure greater continuity and higher quality in our deliveries.

**Sustainable supply chain**

To minimise supplier-related risks, we maintain an ongoing dialogue with all our first line suppliers. We also have a documented process outlining how we check, set requirements for and monitor our suppliers. Signing our Code of Conduct is mandatory when entering into new central framework agreements<sup>1</sup>, in addition to general and product-specific requirements primarily relating to finances, the environment, the work environment and security, except for contracts involving both low values and low risk.

**Educational dialogues concerning sustainability**

When suppliers sign our Code of Conduct, they accept our guidelines and requirements in the areas of information security, work environment, working conditions, the environment and corruption.

All suppliers who have signed the Code of Conduct are subject to self-assessment and off-site audits and could be subject to on-site audits. Off-site audits are conducted on the self-assessment that suppliers are requested to carry out upon signing a contract.

**Supply chain facts:**

- Highest purchasing volume (measured in SEK) in the areas of construction contracts, specialist skills and energy
- Around 1,100 suppliers (1,600 suppliers in 2013, 2,000 suppliers in 2008)
- Total purchasing value in 2019: SEK 1,560 million (SEK 1,395 million in 2018)
- The majority of suppliers are domiciled in Sweden
- Contract compliance in 2019 amounted to 94% when calculated by transactions (approx. 33,000) and 97% calculated by value

<sup>1</sup>) Central framework agreements refer to framework agreements and supplier agreements signed by the central purchasing unit and which are fully compliant with our purchasing strategy. These account for 95% of our total purchasing.

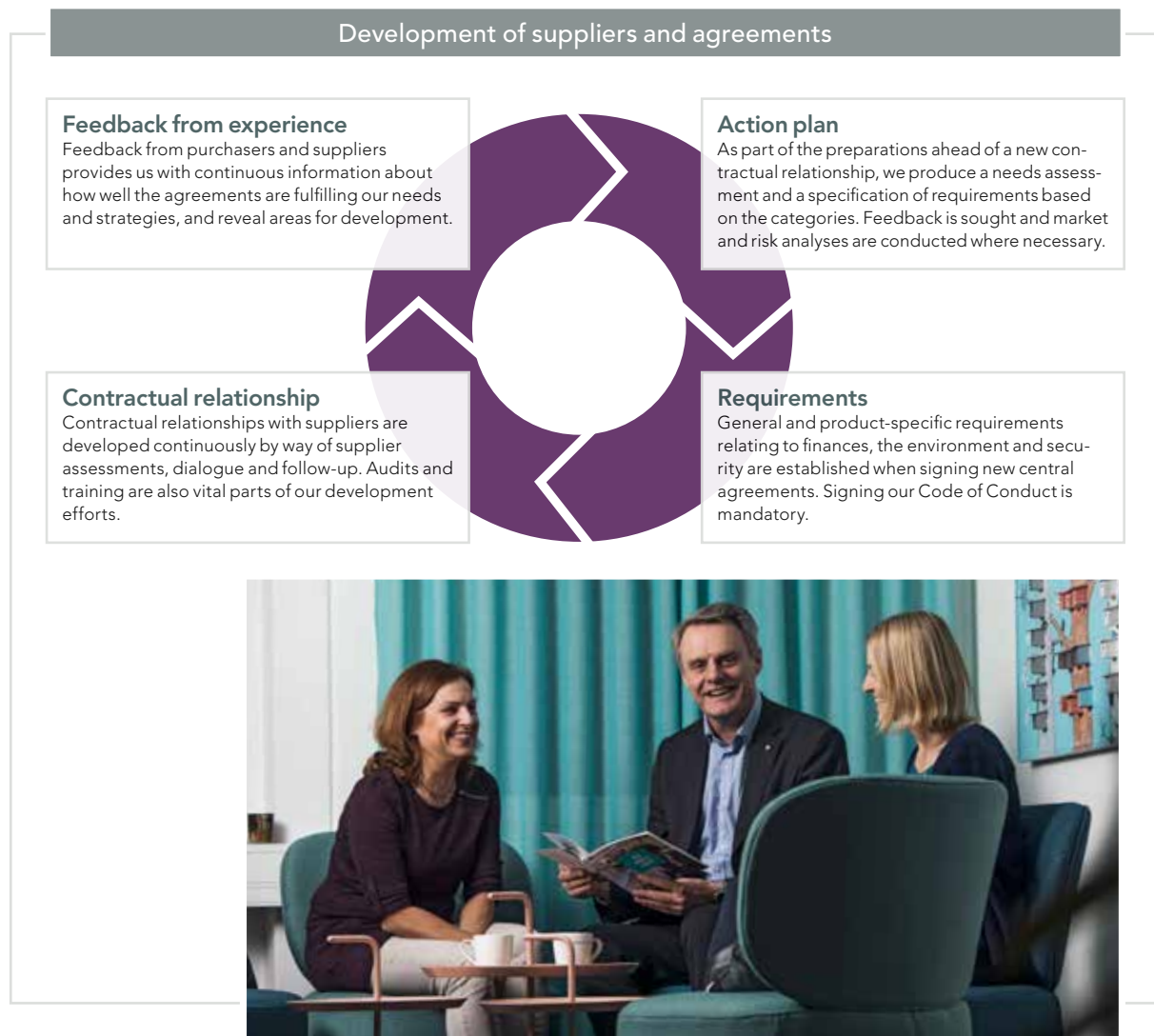
TARGET AREAS

We conduct on-site audits in accordance with an annual plan based on a number of criteria, such as volume/spending, risk, business intelligence and how strategically important a supplier is. Experience of previous on-site audits has shown that many of our suppliers see it as an opportunity to learn and open a dialogue about sustainability. Being able to develop together with the aim of offering positive and sustainable solutions is a good thing for both us and our suppliers. During the year we carried out seven on-site audits that focused on strategic construction contractors.



The audits we carried out showed that several suppliers have work remaining in terms of implementing the Organisational and social work environment provisions<sup>1</sup> into their operations as well as a systematic approach to setting requirements and monitoring their own supply chain. We know that there are many sustainability risks<sup>2</sup> in the supply chain and therefore consider maintaining a dialogue with suppliers to be an important and obvious part of our sustainability efforts.

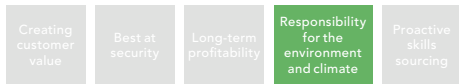
During the year we placed particular focus on maintaining a dialogue about sustainability together with our suppliers for large and medium-sized contracts. We carried out five workshops with varying sustainability-related themes and a concluding Superforum. The aim was to work together to identify opportunities and find solutions to shared challenges. Read more about this on the next page.



1) The Swedish Work Environment Authority's Organisational and social work environment provisions, AFS 2015:4  
2) Read more about sustainability risks on pages 47 and 57.



TARGET AREAS



**Target area – Responsibility for the environment and climate** > Our operations and properties affect the environment throughout their lifecycle, from planning and construction to management, redevelopment and demolition. Specialfastigheter is therefore taking a long-term approach and endeavours to be a sustainable property company in every area of our value chain.

**Systematic environmental initiatives**

We have a structured and conscious approach to reducing our environmental impact and always use the precautionary principle as a guide. Our efforts are based on the impact our operations have on the environment and the climate. International guidelines, the UN SDGs, the Paris climate agreement and the generational and environmental quality targets set by the government all guide us in these efforts. We are making constant improvements in line with ISO 14001.

**Energy efficiency enhancements**

A property’s lifecycle entails significant energy use and thus also CO<sub>2</sub> emissions. We work systematically to reduce energy use at our properties, which is reported, analysed and followed up on a monthly basis in terms of property and geographical area and at company level.

The energy use target (electricity at properties, operational electricity, heating and cooling) in 2019 was 198.5 kWh per sq m, while actual energy use amounted to 199.1 kWh per sq m. The reason we did not achieve the target is largely due to occupancy being so high at our properties during the year. We also installed energy-efficient systems and worked on operational optimisation, but not to the extent required.

During the year we carried out several ventilation replacement projects with the aim of reducing the consumption of electricity and heating at our properties and creating more comfort and a better indoor climate. We also began installing solar panels, including at our largest property, Kronoberg, in Stockholm. 1,266 sq m of solar panels are expected to produce 212,227 kWh per year there. These investments were funded by the SEK 150 million set aside by the Board for energy projects with lower return requirements.

**Challenges posed by climate initiatives**

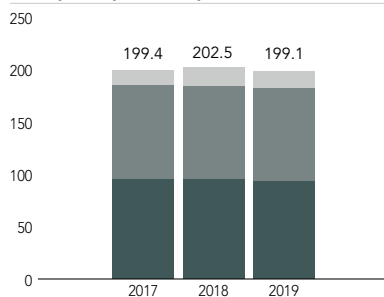
Our target is to reduce emissions from purchased energy by 75% by 2030 (base year 2012), which is in line with Fossil Free Sweden’s ambition to see a fossil-free Sweden by 2045. In the period 2012–2019, we reduced our CO<sub>2</sub> emissions from purchased energy by 54% (the target was 56%). We did not reach the 2019 emissions target due to operational problems with a single pellet boiler that increased the company’s consumption of heating oil during the year. We mitigated the effect of this considerably, however, by actively working to replace the type of fuel used in several boilers from heating oil to RME (rapeseed-based biodiesel).

**Measures to reduce the climate impact along the value chain**

By 2020, we will phase out all heating oil and replace it with RME. We have already made this conversion at a number of properties in 2019. By replacing heating oil with RME, CO<sub>2</sub> emissions are reduced by around 2,500 kg per cubic metre of burnt fuel. For properties connected to the district heating network, we are signing green district heating agreements and pursuing a dialogue with energy suppliers to influence the share of renewable district heating sources.

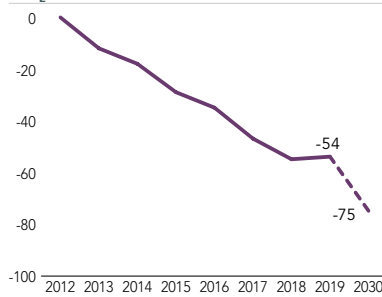
We need to set targets for CO<sub>2</sub> emissions from our entire value chain, as around 50–60% of CO<sub>2</sub> emissions from newly built properties occur during the production of materials and in the construction phase<sup>1</sup>. Our aim is to set science-based targets in 2020 that cover scopes 1–3, that is, targets that count both direct and indirect CO<sub>2</sub> emissions generated by the company along its value chain. We remain active in the focus group that produces procurement requirements within the framework of the Roadmap for fossil-free competitiveness initiative – Construction and civil engineering sector.

**Total energy use in buildings, kWh per sq m Atemp**



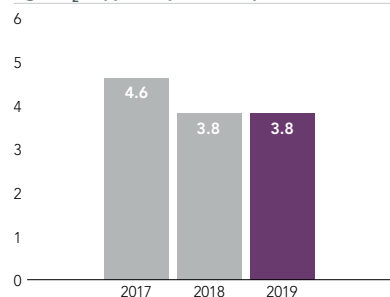
■ Electricity ■ Heating ■ Cooling  
Consumption of electricity and heating fell by 2.3% and 0.3%. Consumption of cooling fell by 6.0%.

**CO<sub>2</sub> emissions, %**



— Outcome - - - Target  
Our target is to reduce CO<sub>2</sub> emissions from purchased energy by 75% by 2030 (base year 2012). This reduction amounted to 54% at the end of 2019.

**Emission intensity, kg CO<sub>2</sub> eq per sq m Atemp**



Emission intensity (kg CO<sub>2</sub> eq per sq m Atemp) is the same as the previous year.



### Business travel

We reduced our CO<sub>2</sub> emissions from business travel by 12% during the year. This is primarily thanks to our reduction in the number of business flights, which fell 47%. We also increased the number of train journeys by 24% compared with 2018. In contrast, CO<sub>2</sub> emissions from business travel by car increased 3% year-on-year, which is likely due to the fact that more employees had access to company cars.

In 2019, our air travel led to 21 tonnes of CO<sub>2</sub> emissions. We compensate this by setting aside SEK 1,100 per tonne<sup>2</sup>, or some SEK 23,000 per year, for environment-enhancing measures and measures to promote biodiversity at our properties.

### Materials and waste

The construction and property sectors account for a large proportion of the public sector's use of materials. We try, wherever possible, to phase out materials that could have a negative impact on health and the environment. The majority of materials used in construction projects and property management are documented in SundaHus's environmental database, assessed according to their criteria and should fulfil classes A or B. Not all materials are registered. This may in part be due to the complexity of the product, or that we do not require products such as nuts and screws to be registered. Another reason could be that we or a supplier failed to register them.

The database is based on the precautionary principle and shows whether a material contains substances that are hazardous to health or the environment. As our customers occasionally have special functional requirements, we may need to deviate from the A and B classes. Specialfastigheter's target is for the amount of registered materials within production that fulfil the A and B classification to amount to at least 80%. In 2019, the number of A- and B-classified materials amounted to 75%, meaning we did not achieve our target. This is largely due to the fact that we registered more categories of materials, primarily con-

trol and automation products, which unfortunately often did not satisfy the criteria for A- and B-classification. We are continuing efforts to register as much material as possible in the database and are making substitutions wherever we can. Our aim moving forward is to work more actively to reduce a negative climate impact from the use of materials. We can achieve this by designing buildings based on a circular approach, opting for more climate-smart materials and reducing wastage.

The construction and property sector produces considerable wastage and waste. The sector accounts for around 30% of all the waste generated in Sweden<sup>1</sup> and 16% of all hazardous waste. We place requirements on our construction contractors to report waste within projects, but we need to improve our monitoring of these requirements and collaborate with our contractors to minimise the occurrence of waste and ensure that the waste that is produced can be reused and recycled to a much greater extent than today. To manage risks linked to materials and waste, we place systematic demands on and monitor our suppliers by way of our Code of Conduct – read more on pages 25–26. Read more about risks on pages 45–49 and 57.

### Biodiversity

Specialfastigheter is a major land and forest owner. When we exploit the land and manage our properties, we have an impact on natural ecosystems and risk changing or destroying significant habitats. Based on the impact we have and global focus on the threat to biodiversity, we produced instructions during the year relating to the mitigation hierarchy<sup>3</sup> with the aim of working more systematically on biodiversity in our projects and property management. In 2020, these instructions will be implemented throughout the organisation. In 2019 an "Inventory of nature conservation values" was carried out at one property. We will carry out more such inventories in 2020 along with a number of pilot projects containing measures based on what the inventories reveal.

1) Report from The Swedish Construction Federation, "Minskad klimatpåverkan från nybyggda flerbostadshus" (Reduced climate impact from newly built multiple-family dwellings, in Swedish).

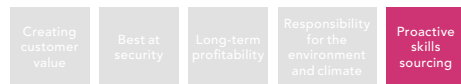
2) The SEK 1,100 amount is based on the Swedish carbon tax that amounts to around SEK 1.1 per kg of CO<sub>2</sub>.

3) The mitigation hierarchy means that damage to biodiversity should in the first instance be avoided, then minimised and remedied at the site and, in the last instance, compensated.



Solar panels on the roof of Lund district court.

## TARGET AREAS



**Target area – Proactive skills sourcing** > In a sector with fierce competition for skills, our conscious efforts to enhance our attractiveness are vital. We take proactive steps to ensure resource and skills sourcing so that we always have the right skills for what our customers require.

### A special and attractive niche

Our 158 employees are distributed across Sweden, which means that many of them are specialists who manage their work independently. Our employees are our main ambassadors, and when we recruit new people we make sure to introduce them quickly so they understand the company as a whole as well as their individual roles.

The fact that we focus on security in particular is something that attracts both existing and potential employees. Many find their work at Specialfastigheter to offer opportunities for development as it is a special niche; it is inspiring to be involved in making a difference and creating a safe and secure society. Our long-term, strategic focus on sustainability is yet another strength we have noted during recruitment processes, with more and more candidates naming sustainability as an important criterion when selecting an employer. With our Employer Value Proposition (EVP) as a basis, we work strategically to increase awareness of us and what we can offer as an employer. We want to recruit from a broad base, which is why we collaborate with vocational colleges, participate in job fairs, give lectures at universities, arrange study visits and take on interns, including from the Rinkeby school, Newton College in Stockholm and Linköping University. During the year we placed extra focus on service technician courses, as this is an important role in our property management.

### Continuous skills development

Flexibility, willingness to change and collaboration are all key factors in terms of our ability to develop sustainable secure facilities together with our customers to meet their changing needs. Our managers play a vital role in these efforts, and effective management and leadership leads to long-term profitability, job satisfaction and a climate open

to change. We offer internal, tailored development programmes for our managers and we arrange management days at least twice a year, with a focus on prioritised issues.

In general, we view all types of learning within the organisation as positive, from the exchange of knowledge and experience at the company to external courses, training and networks. Our geographical distribution requires competent, diligent, independent and committed employees who take considerable personal responsibility. This geography also means we work hard to spread knowledge by drumming in our guidelines, values and positive examples.

### Well-being leads to strong performance

Offering a work environment in which diversity and equality are self-evident and where everyone takes care of their own and others' well-being helps foster commitment and greater competitiveness. We work to ensure that equal treatment initiatives at every level become part of our normal daily routine. As a responsible company in a sector with a relatively high level of injuries and accidents, we take the work environment extremely seriously. All employees are offered our extensive healthcare insurance and a benefits package that includes a wellness contribution, among other things. We regularly carry out work environment inspections and hold appraisals, and there is a work environment committee that ensures we continuously maintain a dialogue and improve our performance. The fact that we have taken proactive and preventive measures to promote health for such a long time is one reason we have seen a relatively low rate of sick leave for many years, 1.64% (1.87%). During the year, we produced an action plan for our further improvement and to meet the work environment requirements outlined in ISO 45001.

## Employee facts



Our target for 2019 was to increase the share of employees with a foreign background to 12%, and we achieved it. Next year we will continue our equal treatment initiatives to promote a sustainable society.



The number of female managers increased during the year, amounting to 31% (29). On the Board, 45% (45) were women, while in management that figure was 67% (63). The total percentage of women at the company was 28 (26) at year end.



Personnel turnover was 6.6% (11.8) during the year.



We have 158 (144) employees distributed across six local offices in Linköping, Stockholm, Sundsvall, Örebro, Gothenburg and Lund.



We have a wide geographical distribution and are present in close to 70 municipalities as our service technicians work at our properties on a daily basis.



An initiative that many employees valued highly during the year was our collaboration with Erikshjälpen, whereby we offered our employees in six regions the chance to work for half a day as volunteers under their management.



## “I think I’ll be able to grow a lot at this company”

During the year, Jenny Karlsson started work with us as assistant property manager in Luleå. After an exciting educational journey, she has now found her home in the property sector.

### **What was it that attracted you to working with properties?**

“My background is fairly varied and I didn’t know in the beginning that I wanted to work with properties specifically. At upper secondary school I was training to be a nurse before moving to Gothenburg and studying to become a ship’s officer and potential marine engineer. I wanted to enter the Coast Guard, but after my studies it was hard to get a permanent job in that area. Then I came across the course to become a property engineer and manager, which involved the technical and long-term aspects that spoke to me.

I probably inherited my interest in technology from my dad and grandfather. I’m also able to make daily use of the nursing training I got when studying to become a nurse: I developed a greater understanding of how people work and can deal with them in a positive way. This is particularly useful when we’re out working at a correctional facility, for example.”

### **What does it mean to be an assistant project manager?**

“I have a supervisory function but no responsibility for staff. I can manage minor projects myself, while my manager Tomas and I look at major projects together. He has extensive experience and knows so much – I am given lots

of responsibility but can always turn to him. I also feel that I can ring up anyone at the company and ask anything I need to. No one ever thinks I’m stupid for asking something, they want to help me get better at my job.”

### **How is it being a young woman in your role?**

“When I go to tenant meetings, many of them say that it’s ‘great to see a girl!’ We think differently sometimes, men and women, so the bigger picture is more efficient when we work together. Although of course there’s always a minority who think that my skills are not as good as those of a man. When I was thinking of applying for the role at Specialfastigheter, I looked up the CEO and was pleasantly surprised to see that it was a woman. Åsa as CEO and Michaela as Property Management Director are both great role models – we’re heading for something really great here!”

### **How do you view your future at the company and in the sector?**

“Right now I’m really happy with things as they are. At some point I want to become a full property manager, of course. I will stay at Specialfastigheter as long as I am happy, and right now it feels like I’m here to stay. I think I’ll be able to grow a lot at this company!”

## DESCRIPTION OF OPERATIONS

A long-term approach for a safer Sweden – this is the goal of our work together with customers and suppliers. The basis of our operations is to ensure that we have the right premises for the right operations by continuously monitoring, developing and matching customer needs with our property portfolio. We conduct our own project and development activities to develop and customise our properties and thus ensure our access to specialist expertise, primarily in the field of security. Every single Specialfastigheter customer should feel confident in our management services so that they can focus fully on their core operations.



# Customer-centric portfolio of secure facilities

Specialfastigheter's customers demand security. Many customers lease properties that are of a national security interest. Continuously reviewing the portfolio and ensuring that our premises are tailored to each customer's operations and security requirements is essential for maintaining customer confidence in us as a landlord and thus ensuring our success.

Our focus on security is what differentiates us from other property companies. This security aspect permeates our entire business and has been a part of it since the company was founded in 1997. Our ambition to be Sweden's leading property company in the field of security is reflected in our extensive investments and initiatives in four different areas of security – operational, personal, physical and information security. We are one of very few Swedish property companies to be certified in the area of information security.

Our employees are highly aware of security aspects and are experts in special technical areas. An important prerequisite for maintaining and developing our portfolio of secure facilities is our long-term relationships with customers. We have a unique dialogue and collaboration that gives us an insight into and understanding of their various businesses and security needs. Specialist knowledge and extensive experience form a solid basis, but it is our ability to convert our skills into concrete solutions specifically adapted to each customer that makes the real difference. Specialfastigheter's starting point is always "the right premises for the right operations." The fact box on page 34 provides examples of our modifications for customers in our property holdings over the past year.

## Investments during the year

Modifications for customers entail complex property conversion and development projects in the form of new builds, extensions and redevelopments. Specialfastigheter's investments in projects totalled SEK 1,029 million (824) at year end. Read more about ongoing and planned investments on pages 36–37.

The first construction phase at the Gudhemsgården LVM\* home was completed during the year for the Swedish National Board of Institutional Care, SiS, as were the first standard buildings at the Ljungbacken and Folåsa juvenile care homes. We also began the new construction of standard schools at the Folåsa, Johannisberg and Ljungbacken juvenile care homes. New construction was prepared for the residential sections of the Hall correctional facility for the Prison and Probation Service. A redevelopment and extension was carried out at the Hällby facility, and we began new construction on standard building solutions at the Skenäs facility.

Specialfastigheter signed 13 leases during the year, of which 10 were additional agreements within existing leases. The majority of the 13 leases have green appendices. These signed leases entail a project volume of some SEK 234.4 million, with redevelopments, extensions and new builds all to be carried out.

\* LVM=Care of Substance Abusers (Special Provisions) Act

## Secure facilities

The hallmarks of our property operations are high quality, long contract periods and creditworthy customers. Specialfastigheter commands a strong position in the market and our aim is to further increase our property holdings in close collaboration with existing and new customers. Our exclusive focus is on targeting properties with customers who have security requirements – secure facilities. Specialfastigheter has the following five development strategies for its property portfolio:

- Property upgrades – create sustainable, modern and secure buildings that provide a favourable environment for employees and for customers' operations.
- Phase-out – older, low standard buildings and buildings that are poorly suited for operations. Demolition and dismantling are handled in a sustainable manner.

- Acquisitions with existing customers – expand our holdings with existing customers who currently lease from other property owners or in regions where they want to establish operations.
- Acquisitions with new customers – increase our holdings with new customers who need premises with built-in security.
- Refinement – disposal of properties that are not in line with our owner assignment.

In certain cases, we may pursue the following to meet customer needs and to learn more about operations with a slightly lower security focus:

- Develop with customers – acquire properties for parts of customers' operations with lower security requirements.

**Acquisitions**

Specialfastigheter actively monitors the market and evaluates relevant acquisition opportunities to meet higher demand for properties that meet security requirements. The market is hot and competition is fierce for properties ready to be put up for sale. No acquisitions were made during the year.

**Divestments**

Five properties in Uppsala, Trollhättan and Värnamo were divested during the year.

**Properties for over SEK 29 billion**

The market value of Specialfastigheter's investment properties has increased significantly in recent years and amounted to SEK 29,037 million (27,288) at year end. The estimated values were determined by means of an internal valuation based on actual lease income and operating

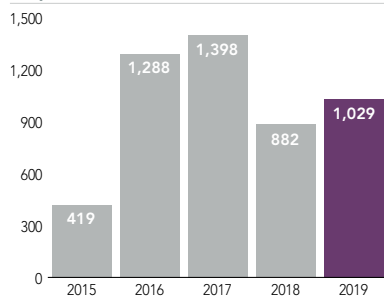


expenses data. Information concerning cost of capital, required yield and current market rents is cross-checked with external appraisers. To assure the quality of the internal evaluation, it was cross-checked against an external evaluation of 34 (50) objects, equivalent to 77% (90) of the total value at 31 December 2019. The difference between the external and internal evaluations amounts to less than 2% (3). Specialfastigheter applies a value below that obtained from the external valuations.

Specialfastigheter owns and manages a property portfolio containing 175 (176) properties divided across 98 (99) management units. These properties are located in close to 70 municipalities across the country. The unrealised changes in value recognised for the period amounted to SEK 746 million (1,404). The average remaining contract term in the rental portfolio is 10.9 years (11.8). The company's largest customers are the Swedish Prison and Probation Service, the Swedish Police, the Swedish National Board of Institutional Care, the Swedish Armed Forces and the Swedish Defence Materiel Administration. The vacancy rate was very low at 1.5% (1.0) on 31 December 2019.

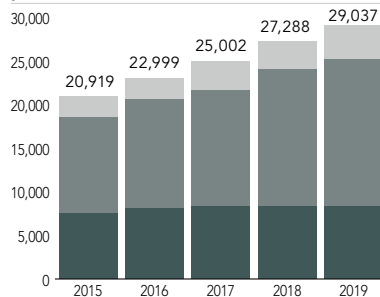


**Investments including property acquisitions, SEK million**



The increase in 2019 was mainly due to a large number of launched investment projects.

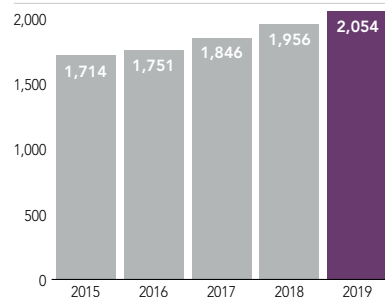
**Market value, investment properties per business area, SEK million**



■ Prison and Probation Service ■ Defence and Judicial System  
■ National Board of Institutional Care and other special operations

Market values have increased mainly due to property-specific events such as newly signed leases, investments and lower return requirements.

**Total rental income, SEK million**



Increased rental income is due to new leases, including the district court in Lund and SIS's Folåsa and Ljungbacken juvenile care homes.



Specialfastigheter's Board of Directors makes an annual visit to one of our properties. In December, a study visit was made to the Folåsa LVM home in Östergötland, where we are constructing several new standard buildings for SiS.

# Standard building investment yielding results

Many of our customers continue to experience a major need for new premises. To shorten lead times and make the construction process more efficient, over the past few years we have worked on standard buildings – building models with a standardised design that fulfil the Sweden Green Building Council (SGBC) Gold level and can be built at several properties across the country. We are now beginning to reap the rewards of thorough preparatory work.

At the Skenäs correctional facility in Östergötland, planning of Standard Building A commenced during the summer of 2018 with a final inspection in early 2020. This means our customer can move in less than two years after placing the order. One of many factors for success in this efficient process was the “collaborative culture” developed during the project between planners, contractors and customers. The next standard building for the Prison and Probation Service will soon begin to be built – this one in Skenäs too. Other current standard building projects are under way for security classes 1 and 2 and remand centres with shared communal spaces.

## Standard buildings for SiS

We constructed two standard buildings for the National Board of Institutional Care, SiS, in 2019. They contain residential sections containing 16 places constructed in parallel with the juvenile care homes in Ljungbacken out-

side Uddevalla and Folåsa in Vikingstad. We are now also building school premises at both of these properties in line with the standard model. A standard building project has also begun at the Johannisberg juvenile care home in Kalix, which will be completed in spring 2020. Inquiries into further standard buildings at other SiS properties across the country are also currently under way.

## Standard buildings are here to stay

One of the most important reasons we have chosen to work with standard buildings is that we should not need to go back to square one for each new build – many aspects should be a given from the start. And this approach has worked well. The buildings, which are certifiable in line with SGBC Gold, have been received positively and our customers are satisfied. We have been able to cut the lead times of the process while the costs of programming and planning will also be drastically reduced in the long run.

# In-house project organisation

Specialfastigheter owns and manages complex properties that place major demands on the entire organisation. Our customers have a continuous need to alter their operations and premises requirements, while the need for maintenance must also be satisfied. To manage a considerable project volume, we have our own project and development unit that manages our challenging projects.

Specialfastigheter has chosen to establish an in-house project and development unit to meet its need for proprietary expertise in the field of secure facilities. Our project managers provide valuable expertise across the entire chain from concept to completion, and we also have specialists in construction, water and sewerage, security, electricity, sustainability, the environment, energy, property automation, fire and CAD/BIM. The unit is tasked with meeting our customers' needs for appropriate and secure premises in a professional manner and with contributing to long-term development of sustainable properties. The unit should also take care of our maintenance needs to ensure our properties remain functional over time. As our project volume has increased significantly over the past few years and we can see major volumes are forthcoming, we have worked intensively on our strategies for supplying the projects with resources. This has resulted in a concept we have named "Entreprenadfabriken" (Contract factory) – a more strategic collaboration with contractors and consultants in which we are able to meet the growing project volume by way of framework agreements and strategic partnerships. The concept was launched in 2018 and will be implemented in full in 2020.

## Sustainable building

Specialfastigheter has opted to produce properties in line with the Sweden Green Building Council (SGBC) certification system. All of our new construction must attain Gold level and our major redevelopment projects Silver. However, our customers often have strict security requirements and for security reasons we cannot always produce all documents necessary to complete the final stage of certification. For this reason, we have chosen to work on the basis that our properties are ready for certification and we then decide on certification on a case-by-case basis. The new standard buildings we are now producing together with the Prison and Probation Service will attain SGBC Gold. We also have several ongoing redevelopment and new-build projects for SiS's facilities in Hässleholm, Ljungbacken, Ljungaskog and Johannisberg, with the aim of building in line with SGBC Gold and Silver. To raise our ambitions relating to sustainable building further, we held a number of sustainability workshops during the year with our framework contractors. Read more on page 27. We will evaluate and process the results of these workshops in 2020. To further demonstrate our high level of ambition, we have issued green bonds whereby SGBC certification is a prerequisite for obtaining financing for our projects.

## Projects in 2019

There were 90 (86) investment projects and 205 (162) maintenance projects in progress at year end. The total investment volume for projects in progress is estimated at SEK 1,984 million (1,597), of which SEK 1,201 million was accrued as of 31 December 2019. The total maintenance volume has been calculated at SEK 589 million (465).

### Prison and Probation Service business area

In 2019, construction began on a standard building at the Skenäs correctional facility, and investigations are under way at a large number of other correctional facilities around the country to prepare for an anticipated expansion of places. The development of the Hall correctional facility started during the year.

### Defence and Judicial System business area

A number of investigations and tenders for new establishments are under way in this business area.

### Institutional Care and Other Special Operations business area

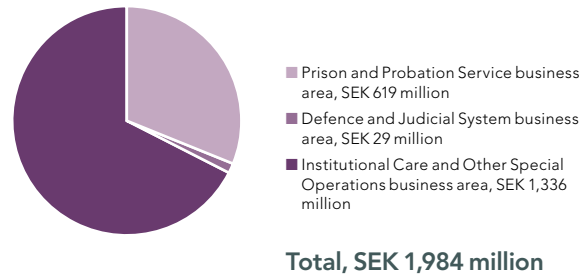
The new standard building at SiS's Folåsa juvenile care home was opened during the year. Production of standard buildings and schools is under way at Johannisberg, Ljungbacken and Ljungaskog and there is a major redevelopment and extension of SiS's Hässleholm juvenile care home. A dozen preliminary studies for future projects are under way.



**Investment projects in progress on 31 December 2019**

Investment volume, SEK million	Estimated
Investment projects > SEK 20 million	1,729
Investment projects < SEK 20 million	255
<b>Total investment volume, projects in progress, SEK million</b>	<b>1,984</b>
<b>Additional floor space, sq m</b>	
Investment projects > SEK 20 million	31,942
Investment projects < SEK 20 million	142
<b>Total additional floor space, sq m, projects in progress</b>	<b>32,084</b>

**Investment projects by business area**



**Major investment projects in progress per 31 December 2019**

Property name	Customer	Project description	Additional floor space, sq m
Fridhem 9	SIS	New builds and extension of accommodation and school at Hässleholm juvenile care home	7,942
Hall 4:15	The Prison and Probation Service	New construction at the Hall correctional facility	7,500
Skenäs 1:19	The Prison and Probation Service	New construction of standard building at the Skenäs correctional facility	5,550
Grytnäs 2:1	SIS	Extension of accommodation and school at Johannisberg juvenile care home	2,803
Fälåsa 12:1	SIS	Extension of accommodation and school at Fålåsa juvenile care home	2,657
Ljungaskog 15:28	SIS	Redevelopment and extension of accommodation, educational premises and new construction at Ljungaskog juvenile care home	2,056
Bergsjön 21:1	SIS	Redevelopment and extension of residential sections and communal areas at Björkbacken juvenile care home	1,275
Orretorp 2:2	SIS	Redevelopment and extension of residential sections at Klarälvsgården juvenile care home	969
Gräskärr 1:1	SIS	Extension of school at Ljungbacken juvenile care home	898
Gudhem 12:3	SIS	Redevelopment and extension of accommodation and communal areas at Gudhemsgården LVM home	292
Skogome 2:2	The Prison and Probation Service	Security-enhancing measures at Skogome correctional facility	0
Stigby 1:9, 7:3	SIS	Redevelopment of residential sections at Stigby juvenile care home	0



Fridhem 9, Hässleholm juvenile care home



Hall 4:15, Hall correctional facility



Fålåsa 12:1, Fålåsa juvenile care home



Skenäs 1:19, Skenäs correctional facility



Ljungaskog 15:28, Ljungaskog juvenile care home



Orretorp 2:2, Klarälvsgården juvenile care home



Gudhem 12:3, Gudhemsgården LVM home



Gräskärr 1:1, Ljungbacken juvenile care home

**Future project volumes**

Many of our customers have a changing and growing need for premises and we consistently need to maintain our properties. Specialfastigheter is seeing greater

demand for security among both existing and new customers. The project volume is expected to increase over the coming five years.



# Continued development of the Contract Factory

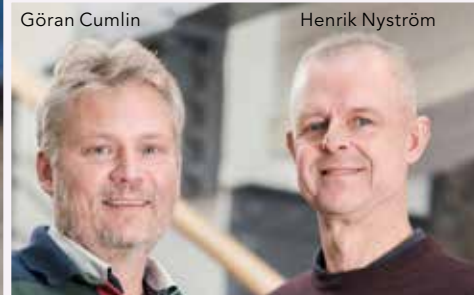
When Specialfastigheter launched the Contract Factory a year ago, the objective was clear – by fostering long-term supplier collaboration and bringing all projects of each supplier under one contract, Specialfastigheter would be able to ensure more efficient production.

In 2019, the supplier base was expanded to include technical consultant partners throughout the country.

“Once we are finished, some way in to 2020, all external suppliers will be included. This means some 20 companies with whom we regularly work,” explains Specialfastigheter’s Purchasing Manager, Henrik Nyström.

Keeping the number of suppliers down is in itself one of the aims of the project. It is important for Specialfastigheter to collaborate with procured companies who know how to build secure buildings, and in this case continuity, sustainability and quality are all decisive.

The real test for the Contract Factory will come when major orders are placed in the future by the Prison and Probation Service and SiS, according to Henrik Nyström and Göran Cumlin, Projects and Development Director at Specialfastigheter.



Göran Cumlin

Henrik Nyström

“Then we will have a well-prepared organisation and we can give the green light. The greatest gains in terms of time will primarily be seen in the initial stage,” says Cumlin.

The assessment is that collaboration and continuity will lead to a 20–40% reduction in implementation time. We can gain huge amounts of time in procurements for new production as it has already been done, and areas of planning and production can be done simultaneously thanks to collaboration.

“The greatest opportunities lie in building standard buildings, for which planning is already 80% done. Gaining time and saving on costs while maintaining or enhancing quality and sustainability is our goal,” adds Cumlin.

# Safe and efficient property management

By offering property management planned in collaboration with customers and carried out by highly skilled in-house staff, we contribute to long-term property ownership where customers are provided with excellent conditions to run their socially vital operations.

## Maintenance characterised by flexibility

The most important aspect for us is to support and help our customers in their operations through our management, while being efficient and long-term property owners. The maintenance of our buildings is central to our success, and an area in which we make great efforts to constantly improve. Our customers' operations mean we have to be flexible when planning and implementing our management tasks. Sustained high occupancy in Swedish correctional facilities, including those run by the Swedish National Board of Institutional Care and the Prison and Probation Service, meant that we were unable to carry out any major maintenance involving the closure of accommodation. We therefore redirect the maintenance to external measures or to other spaces that impact on operations to a lesser extent in order to ensure the status of the properties is maintained. Specialfastigheter always attempts to coordinate maintenance with measures planned by the customer in order to minimise disruption to the operations.

Our focus in 2019 was on creating a strong structure within our maintenance support system. We also drew up a maintenance inventory for a large proportion of our properties, thus giving us a solid foundation for future maintenance needs. This work will continue throughout 2020 to ensure all of our properties are inventoried. We also worked to identify ways to carry out maintenance that lead to as few disruptions to customers' operations as possible. To succeed in this, we produced ready-made packages for choosing materials and a checklist for joint planning of maintenance measures offering efficiency enhancements, long-term results and sustainability.

## Highly qualified in-house personnel

We adopt a customer and security perspective in our aim to manage our properties using our own personnel. In addition to specialist know-how in the field of security, Specialfastigheter's service technicians and managers must also have a high level of technical expertise to efficiently manage complex and highly digitalised properties.

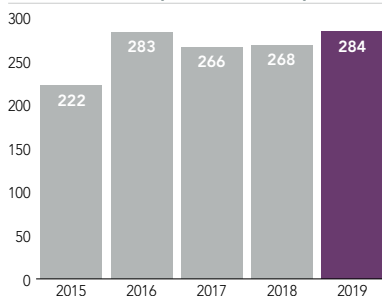
Our geographical range is a challenge to management services, as is the small-scale of many of our properties. Skills sourcing is extremely important for maintaining a high level of service close to properties in all locations. Read more about Specialfastigheter's work on skills sourcing on pages 30–31.

## Efforts to create a stronger customer dialogue

Many of our customers conduct operations at a large number of locations. As a result, dialogues and collaboration take place at various levels in order to encompass the entire operations. Local customer meetings as well as regional and central meetings at which the overall development of the organisations are discussed are examples of important dialogues.

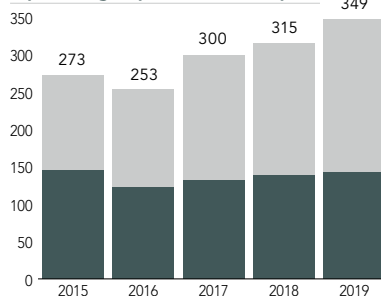
In 2018, we conducted a CSI survey which produced a score of 65 – unchanged compared with previous years. In early 2019, the second part of our CSI initiative – the in-depth analysis – was carried out. We have now communicated the CSI results and action plans to our customers. On a general level, the aspects we can see that we need to devote greater focus on include maintenance and its accompanying processes, the indoor climate and greater

Maintenance expenses, SEK/sq m



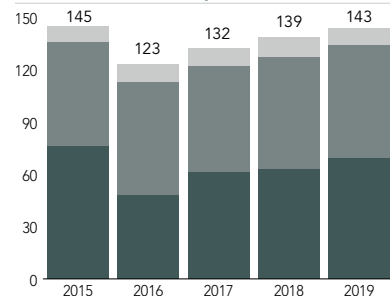
We are increasing the pace of maintenance to maintain a high standard at our properties, which will have led to higher maintenance expenses in 2019.

Operating expenses, SEK/sq m



Operating expenses increased in 2019 compared with the previous year. The reason is primarily that land maintenance costs increased, and we also hired more technical consultants.

Media costs, SEK/sq m



Our customers experienced higher occupancy during the period, which explains the total increase in media costs.

discussion of security and sustainability issues with customers. A particularly pleasing aspect was our strong result in terms of customer communication, which has been a focus area over the past few years.

**Ongoing revision of plans**

Our management plans for each property contribute to efficient, sustainable and long-term property management. The plans are based on a dialogue with our customers and highlight what is required for us to deliver in line with our commitments. Each part of the plan has a long-term strategy, targets and an action plan. The plans are followed up and revised during the year to adjust the planning to current customer needs.

**Support for emergency cases around the clock**

High operational reliability, in many cases around the clock, is a precondition for enabling our customers to operate their businesses in a secure and safe manner. It is essential to have robust operating systems, excellent planning and meticulous employees with in-depth understanding of customers’ needs, their properties and their technical equipment. To further guarantee these aspects, we developed processes and support during the year to manage the occurrence of emergency cases around the clock.

We quality-assured and created a uniform structure for supervision, management and systematic fire prevention at all of our properties to enhance efficiency and security. Digitalisation means that efficiency can be enhanced but is also an area in which the risk of hacking must always be taken into consideration, which is why information security has become one of Specialfastigheter’s prioritised security areas (read more on pages 23–24).

**Sustainable property management in all areas**

Sustainable property management entails us working actively to reduce energy use and CO<sub>2</sub> emissions when managing our properties. Other important areas include consumption of materials, management of hazardous substances and the work environment. Read more on pages 28–29.

Energy use has a significant impact on both operating expenses and the environment, and is the environmental aspect that has greatest impact on our property management. We work continuously to reduce total energy use at

our properties, including through operational optimisation but also through investments in modern materials and new technology. We are making a particular investment in the installation of solar panels at certain properties.

We have launched a review of our property automation strategy to ensure we are taking into account the latest technology and all of the opportunities afforded us by digitalisation. Our goal is to have favourable conditions to control, monitor and follow up areas such as energy use, ventilation and heating at our properties. Property automation is to enable optimised and energy-efficient operation by using operationally secure technology to obtain digital control over our properties’ climate systems.

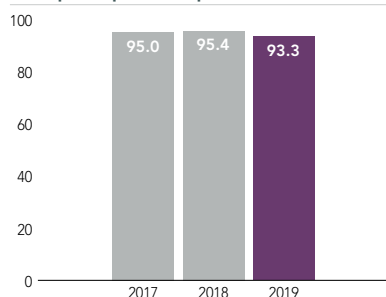
In addition to energy use and CO<sub>2</sub> emissions, we also work on other aspects of sustainability. For us, it is important to make wise choices in terms of materials and to attempt to reduce waste produced by our property management. As a major property owner with significant land holdings, biodiversity is also a vital area to take into account when managing our properties and one in which we intend to continuously make well-considered, meaningful efforts over time.

We take active steps to sign green appendices for our leases and produce joint green action plans for management. These joint action plans specify how we are to work together to reduce the burden on the environment and is a permanent agenda item of local customer meetings. A follow-up and update of the action plan is carried out at least once a year. The proportion of leases with green appendices amounted to 93% at the end of the year.

**Operation and maintenance expenses**

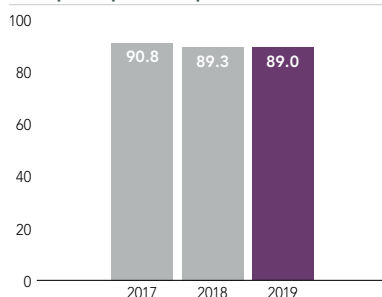
Electricity, heating and water account for the majority of our operating expenses. This means that working together with our customers to enhance efficiency and optimise operations is a key element of retaining a low cost base. Our maintenance expenses differ from many other property companies in that they often include internal maintenance and other security installations. Operating expenses for 2019 amounted to SEK 349 per square metre (315) and maintenance expenses to SEK 284 per square metre (268). The higher operating expenses are primarily due to higher costs for purchased operating services, media costs and higher costs of modifications for customers.

**Electricity consumption, kWh per sq m Atemp**



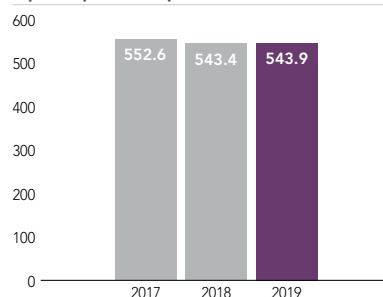
Electricity consumption fell 2.3% as a result of our use of energy-efficient technical solutions at our properties. Higher taxes did however lead to higher overall electricity and heating costs during the year.

**Heating consumption, kWh per sq m Atemp**



Heating consumption fell 0.3%. This reduction is marginal compared with the previous year, but the result is still satisfactory as our customers have seen high occupancy levels.

**Water consumption, L per sq m Atemp**



Water consumption is essentially unchanged compared with 2018 – something with which we are satisfied as customers have had high levels of occupancy and we experienced two major water leaks at one of our properties.



# “We must create value for customers and society”

Since August 2019, Michaela Sköld has been the new Property Management Director at Specialfastigheter, responsible for 74 people working in operations and management. In this interview she responds to three brief questions about property management.

**Why did you choose to work in property management?**

“The most enjoyable aspect is that we get to work closely with customers and get to know their operations. Understanding the customer’s challenges and opportunities is what makes a great property manager and an attractive partner. And no two days are the same – different issues arise all the time. Something new is always happening with the properties, or a customer has a need or wish that we need to work on. The work of a property manager is a perfect combination of many different exciting areas – technology, law and finances.”

**What factors lead to successful property management?**

“I can answer that decisively: skilled and committed employees. Property management is a discipline where you have to combine solid expertise and work experience with an ability to see and imagine properties as a whole in order to do a good job. Customer participation is obviously also extremely important. Collaboration and joint production is required to achieve our shared goals and provide customers with the best possible premises for their operations.”

**What is the most important property management task at Specialfastigheter?**

“Essentially it is about ensuring society can get as much value from the money invested in public sector properties as possible. We must create value for customers and society. The properties we manage should be maintained in a way that means they can be used by the customer, and we support the vital societal functions provided by our customers – we are here for their sake. The properties must also be managed in a way that maintains their value, but we need to view them as a whole, not just in terms of finances, technology or sustainability.”

**Property management unit facts:**

**No. of employees:** 74, of which 14 are property managers, 3 are assistant property managers and 57 are service technicians.

**Managed sq m:** 1,087,777 sq m floor space.

**Largest managed properties:** Kronoberg, police station and remand centre in Stockholm, Sweden.

# Secure properties – secure finances

Specialfastigheter is one of the companies in the property sector that enjoys an extremely low credit risk and a stable financial position. We monitor economic trends carefully to safeguard our position moving forward.

Specialfastigheter is owned by the Swedish state and finances operations through borrowing in the Swedish and international capital markets through bond and commercial paper programmes. Borrowing is conducted against the balance sheet without pledging properties. The loan agreements include an ownership clause that reinforces the lenders’ position by entitling them to call in a loan early if the state’s ownership level falls below 100%.

### Specialfastigheter’s financial operations

Trends in the financial market impact the company’s cost trend. Financial management must reflect and support the operations’ business objectives. Specialfastigheter’s financial risks are to be limited while active financial management is to ensure low net financial items linked to the operations’ targets and conditions. This is achieved by identifying risks and managing them within set frameworks.

We reduce financing risk by spreading loan-to-maturity periods over different years and via loan commitments that cover maturing commercial paper and bonds for the years immediately ahead. The volume of unutilised loan commitments as of 31 December totalled SEK 5,307 million.

### Commercial paper and bond programmes

The company has had a commercial paper programme in the Swedish market since 1999 with a limit of SEK 5 billion. A total of SEK 2.5 billion of the programme had been utilised at 31 December 2019.

The company issues bonds denominated in SEK or EUR in the Swedish capital market under an MTN programme with a maturity of one year or longer. The programme has a total limit of SEK 13 billion or equivalent value in EUR. A total of

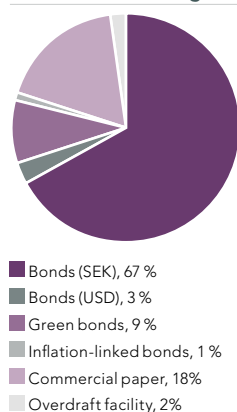
### The aims of the financing activities are to:

- Maintain the company’s strong financial position and credit rating of at least AA
- Limit the risks of negative effects on cash flow, earnings and the balance sheet
- Ensure access to necessary financing at reasonable costs
- Control financial risks according to the financial policy
- Ensure risk management through control and reporting

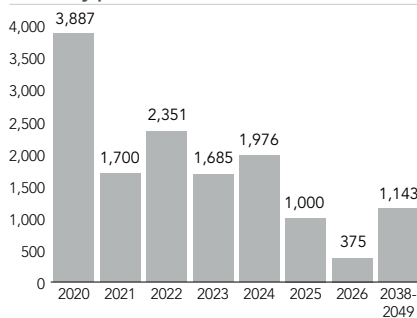
SEK 10.7 billion (9.7) had been utilised at year end. In addition to the Swedish market, Specialfastigheter has two outstanding bonds in the amount of USD 50 million, equivalent to just under SEK 468 million, in the European market. Fixed-income and currency derivatives were also entered into, meaning currency risk has been neutralised.

	Rating from Standard & Poor’s	Limit 31 Dec. 2019	Utilised, nominal 31 Dec. 2019
Confirmed credit facilities and account credit with bank		SEK 5,550 million	SEK 243 million
Commercial paper	A1+	SEK 5,000 million	SEK 2,525 million
MTN (Medium Term Note)	AA+ Stable outlook	SEK 13,000 million	SEK 10,675 million

### Sources of financing



### Maturity profile, SEK million



### Bond issues in 2019

Maturity	Amount, SEK million
4 years	400
4.1 years	200
4.2 years	300
5 years	500
5 years	500
5.7 years	500
25 years	200
30 years	200

The maturity refers to the final year of maturity of the bond, while the amount refers to the nominal amount in SEK million. Issues during the year undertaken as part of the company’s MTN programme and in the Swedish capital market.

**The past year**

In 2019, interest-bearing liabilities rose SEK 716 million, primarily due to a higher investment volume. These issues increased the loan-to-maturity to 5.4 years, thus creating the opportunity to counteract potential future interest-rate increases. The level of corporate bond issues increased during the year, while the volume in the commercial paper market fell somewhat.

We have loan commitments with various banks. When we issued our first green bonds in late 2017, interest was so great that they became oversubscribed. The plan was to continue issuing green bonds, but as a result of projects being moved back our aim is now to issue green bonds in 2020.

During the year, we invested SEK 1,100 million in Swedish covered bonds and used these as collateral for bank loans in the repo market. This has provided us with opportunities for faster funding with shorter terms and at negative interest rates since the repo rate was at negative 0.25% for the majority of 2019. Loan-to-maturity periods have become longer since we increased funding in the long-term capital market. The fixed-interest period is unchanged in relation to the previous year.

Net financial expenses amounted to SEK 135 million compared with SEK 110 million in 2018. This change was largely due to higher short-term interest rates, slightly higher debt,

a smaller share of borrowing in the short-term market, issues of bonds with long maturities and the change in the value of derivatives as a result of market interest rates and electricity prices.

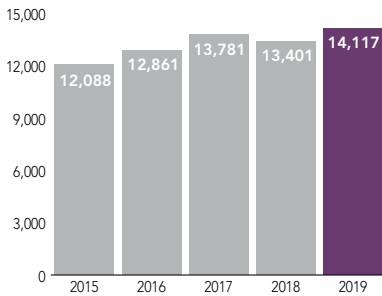
Changes in derivative values were a negative SEK 20 million (positive: 10). The higher interest rate and stronger currency compared to previous years has led to a positive change in value.

**Outlook for 2020**

Specialfastigheter's external debt financing will increase over the coming years as a result of the planned increase in project volume. We will primarily increase financing via the bond market. Depending on the market situation, we aim to have bonds with maturities of 5–10 years.

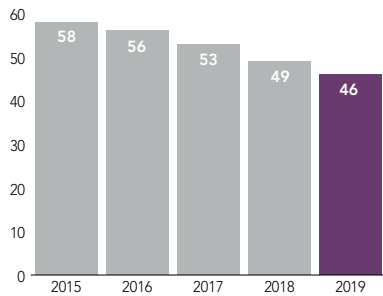
Our ambition is to maintain the current amount of financing on the short-term market via commercial paper and whole loan repos given these offer a favourable financing cost, as we expect the Riksbank to keep the repo rate at 0% for several years to come. We have issued bonds at low interest rates over the past few years thanks to a combination of low market rates and low credit spreads. We expect continued favourable market conditions over the coming year, but if the Riksbank reduces or ends its quantitative easing, this may impact on the low market rates and lead to credit spreads increasing. If this occurs, it could lead to gradually rising borrowing costs.

**Interest-bearing liabilities, SEK million**



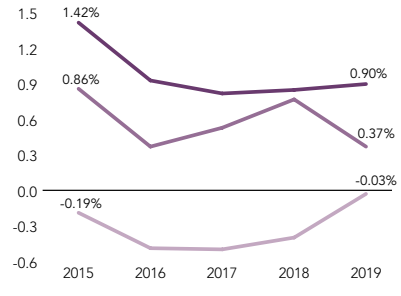
Liabilities have increased due to financing investments at the properties.

**Loan-to-value ratio, %**



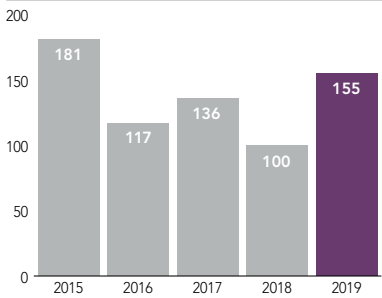
The loan-to-value ratio has fallen somewhat since last year, which is mainly due to a rise in property values.

**Interest-rate trend, %**



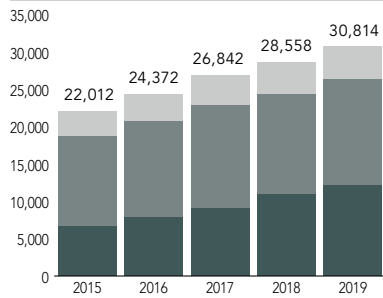
— Specialfastigheter's average interest rate  
 — 5-year covered bond  
 — 3-month Stibor

**Total net financial items trend, SEK million**



Higher interest rates, unrealised derivative losses, somewhat higher debt, less borrowing with short terms and bond issues with longer maturities have all lead to higher financial expenses.

**Capital structure, SEK million**



■ Equity ■ Interest-bearing liabilities  
 ■ Other liabilities  
 Equity increased in 2019 as a result of net profit for the year.

## RESPONSIBILITY AND GOVERNANCE

Assuming responsibility for the entire value chain and effectively governing the operations are essential for creating value. We govern our operations based on a long-term and collaborative approach to increase business value for our stakeholders. Risk management and key sustainability issues are integrated into all of our work. The international risk management standard ISO 31000:2018 guides our work in this area. We comply with the Swedish Corporate Governance Code, and as a state-owned company we always endeavour to set a good example. Our sustainability efforts are reported in accordance with the Global Reporting Initiative (GRI) Standards.





# Balanced risk-taking

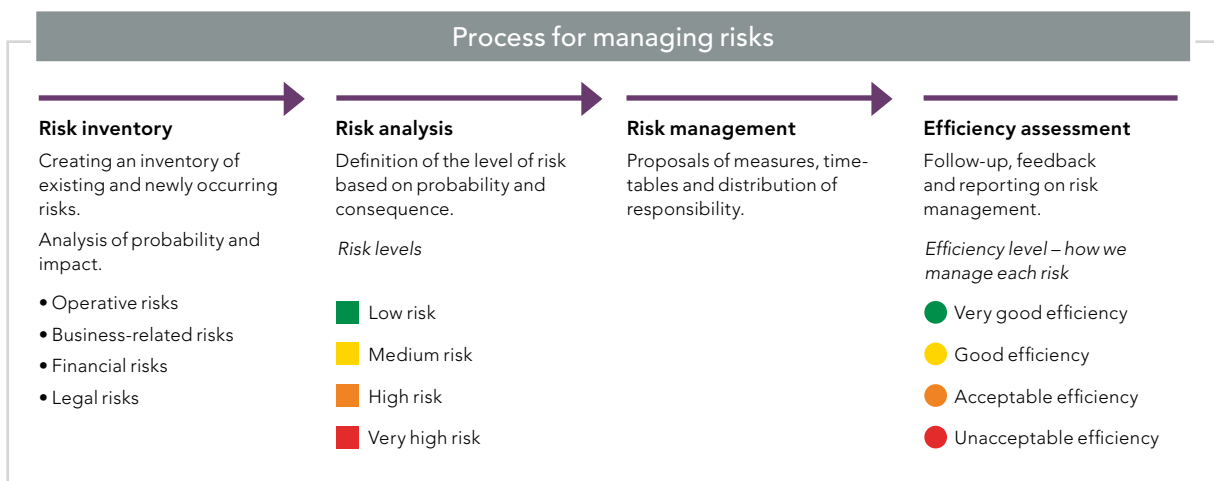
All business operations entail risks. However, when handled properly, balanced risk-taking promotes long-term value creation that considers both opportunities and risks. Identifying, analysing, managing and following up on risks are therefore priority issues.

In addition to the business opportunities that could arise when we manage risks, there are also threats that, if not managed correctly, can jeopardise our credibility and competitiveness and result in negative consequences for our stakeholders and operating environment.

Our risk-related work is an integral part of all our operations and is based on a structured process that begins with our annual business planning. During this process, the operations' company-wide risks are identified, based both on the possible consequences for Specialfastigheter and the consequences of our operations for our operating environment. The risk analysis is then used as a basis for documents like our action plan for internal control and for our internal audits. Risk management at Specialfastigheter follows the ISO 31000:2018 standard for risk management.

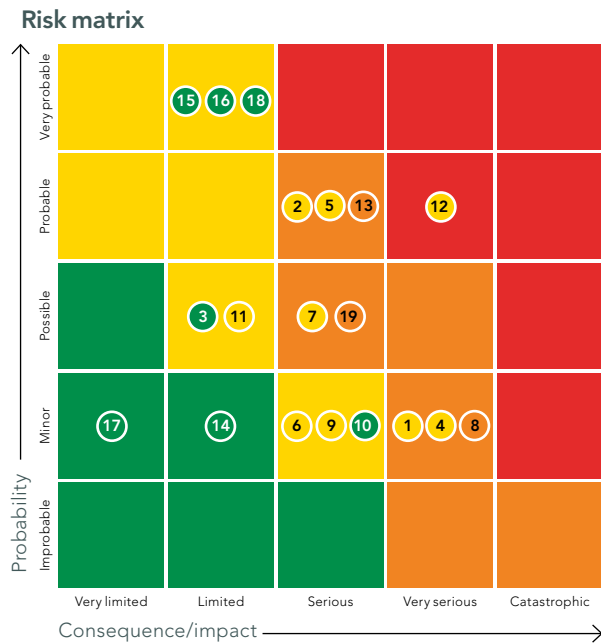
An assessment of probability and consequence is conducted for each identified risk to determine its risk level, after which point we produce an action plan with proposals of measures accompanied by timetables and distribution of responsibility. Finally we analyse our capability of managing the identified risk. We split our risks into four risk categories: business-related; legal; operational; and financial.

The Board follows up incidents and any disputes on a quarterly basis. Once each year, the Board approves and follows up the plans for internal control and discusses and follows up identified risks. Specific risk analyses are conducted for larger projects. Our ambition is to consistently improve our risk management through our proactive efforts. In 2019 we reviewed our processes for risks and continued to establish methods and systems for risk analysis for the organisation, which will continue in 2020.



### Changes in risks, 2019

As part of our risk management, we chart the risks and possibilities that influence our operations, but during the year we have also noted how our operations entail risks for people and the environment, for example through greenhouse gas emissions and through work environment risks. The only identified risk with an extremely high risk level is still *Climate change's consequences for our properties*. For the risk *Loss of market position* we have raised the risk level since competition in secure facilities has intensified further.



The figures indicate specific risks that are described on pages 46–48. The colour of the square indicates the risk level and the colour in the circle indicates our estimated efficiency level.

### Operative risks



















Operative risks include all risks in our day-to-day operations that affect how we handle daily operational assignments. We focus on the following risk areas: work environment, the environment, information security and organisational.

Risk	Analysis, management and checks	Risk assessment	
		Risk level	Efficiency level
① <b>Loss of confidential information</b>	Our management system for information security is certified in line with ISO/IEC 27001:2013 and aims to guarantee the best possible conditions to protect both our information assets and those of our customers. We have an interactive information security training course that is mandatory for all staff. We monitor the rapid developments linked to threats to the IT environment by analysing and assessing threats and vulnerabilities and using such analyses to come up with appropriate protective measures. We are aware of the risk of exposure to insider crime and work to prevent this with measures including diligent recruitment processes and continuous improvement efforts.	High	Good
② <b>Inadequate measures to reduce the negative impact of operations</b>	During its life cycle, a building gives rise to significant CO <sub>2</sub> emissions. Buildings and the property sector account for around 30% of Sweden's total CO <sub>2</sub> emissions (domestic and imported). We are reducing our climate impact through ambitious goals for emissions from operations and are working to set goals that encompass emissions across the entire value chain. In 2019 collaboration with our suppliers intensified to achieve emissions reductions in the construction process. We participate in Fossil Free Sweden's work to phase out fossil fuel and regularly follow up our emissions.	High	Good
③ <b>Use of substances hazardous to health and the environment</b>	To ensure we do not incorporate hazardous material into our buildings or use such materials in our operations, we have clear guidelines and goals for material use. An environmental strategist monitors whether we have the appropriate know-how in-house and that we assess every construction project regarding substances hazardous to health and the environment. All material included in a building, together with locations, is documented in a database for future reference. We operate based on the precautionary principle or approach and exceed the Sweden Green Building Council's requirements for registration of materials.	Medium	Very good
④ <b>Physical and/or psychosocial injury to employees</b>	We maintain a constant focus on security for our customers and employees. We work systematically with the psychosocial and physical work environments and continuously conduct training initiatives and risk analyses. The project to implement ISO 45001 as a guiding standard for our work environment efforts is ongoing. In many cases, customers are contractually obliged to provide alarms and guidance with the aim of preventing threats and violence. Further evaluation is ongoing of other supports for working alone. We also provide employees with security guard support if necessary.	High	Good

■ = Our most prioritised risks in the area

## Business-related risks

Business-related risks are attributable to events in our operating environment, among our customers and suppliers, and at our organisation, impacting both our business and developments in the property market. We analyse risks in the following areas: market, projects, organisation, credibility and value.

Risk	Analysis, management and checks	Risk assessment	
		Risk level	Efficiency level
5 <b>Loss of market position</b>	Competition is intensifying in the market for public sector properties. Our customers are mostly state-owned operations with high security standards, so we must be best at providing them with secure, efficient and effective premises and good service. Work is continuously under way in collaboration with many of our customers to find good solutions that provide the best overall efficiency. Our project volume will increase through the development of our own properties. We also continued to reinforce our unique skills in the area of security and adapted to the new protective security legislation that entered force on 1 April 2019. A protective security analysis was prepared.	 High	 Good
6 <b>Shortage of suitable premises</b>	We work closely with our customers to meet both their current and future needs. We constantly monitor events in the market as well as legislation and regulations. The property management plans detail how our premises can be maintained and modernised. We continuously develop our maintenance process and will continue to prioritise maintenance work in 2020.	 Medium	 Good
7 <b>Project delivery failure</b>	We work in a structured manner and assess projects for risks. Project reviews guarantee good control and follow-up and ensure projects are on budget, on time and meet the scope of supply and quality requirements. A new project management tool was developed in 2019. Production cost risks are limited to the greatest possible extent through contracts with both the contractor and tenant. We have developed a concept for long-term, strategic supplier partnerships that has been positively received by the market.	 High	 Good
8 <b>Inadequate or non-secure digital transformation</b>	Digitalisation is advancing very quickly, is difficult to predict and entails both opportunities and risks for our business. We began to define and visualise Specialfastigheter's digital transformation through strategic dialogues and workshops to create a shared understanding of and foundation for our digitalisation journey. A clear vision and roadmap for the future will be developed in 2020.	 High	 Acceptable
9 <b>Shortage of appropriate skills today and in the future</b>	The sector is expanding and customers' requirements and wishes are changing constantly, and this requires us to be a flexible organisation open to change. We continuously conduct skills assessments with the aim of planning the right skills development areas for our employees, and we also have succession planning for key employees. Moreover, we are continuing efforts to strengthen our brand as an employer. We are developing as purchasers and currently procure professional non-critical expertise for our core operations from external consultants and contractors.	 Medium	 Good
10 <b>Poor business ethics</b>	The property sector entails risks as it involves major investments and complex transactions with many parties involved. Our values and Code of Conduct guide us during our day-to-day operations with the aim of strengthening our credibility. We have a supplier code of conduct, structured purchasing system and we comply with the Swedish Public Procurement Act. Training for purchasers is conducted on an ongoing basis with the objective of providing know-how and understanding of ethics to prevent the occurrence of corruption. Whistle-blower and incident reporting systems aim to detect irregularities and comprise a basis for developing our operations. We have guidelines in place for addressing the threat posed by insiders and infiltrators, since this know-how is critical for credible and effective security measures.	 Medium	 Very good
11 <b>Falling market value of properties</b>	Our high credit rating and very strong balance sheet enable us to cope with a market downturn. We draw up long-term development plans for each property and follow them up on an ongoing basis to retain our customers and maintain the value of our properties. Maintenance measures and investments are conducted in close consultation with customers. There is a risk that maintenance works will be delayed if customers cannot give us access to the premises, resulting in a deterioration in the quality of the properties. We therefore continuously strive to improve the joint planning process.	 Medium	 Good
12 <b>Climate change's consequences for our properties</b>	Climate change can entail rising outdoor temperatures, raised sea levels and more extreme weather events in the form of heavy precipitation, powerful winds and forest fires. Properties that are in danger zones in terms of potential consequences of climate change are protected by means of preventive measures, redundancy in terms of the supply of electricity, heating and cooling as well as weather and damp protection in buildings. Deeper analysis of our property holdings is ongoing.	 Very high	 Good
13 <b>Irregularities in the supply chain in terms of human rights, work conditions and work environment</b>	Our supply chain is complex and comprises a large number of subcontractors/contractors. Risk increases as one progresses down the chain, and our ability to influence the risks decreases. Our assessment is that the greatest risks are linked to our contracts, followed by the goods and services we purchase. Risks include the risk of discrimination and harassment, forced labour in production plants, unfair working conditions and a poor work environment. Our central purchasing organisation signs all framework agreements and achieves 94% contract compliance with our purchasers. We maintain dialogues with our contracted suppliers and set requirements through procurements and through our supplier code of conduct. We conduct off-site and on-site audits that encompass how our contracted suppliers set requirements and follow up their own suppliers. To date, we have not carried out audits of our subcontractors.	 High	 Acceptable

 = Our most prioritised risks in the area

### Financial risks

Specialfastigheter is exposed to different kinds of financial risk in its operations, including through fluctuations in profits and cash flow as a result of market valuations, financing, interest rates, credit and counterparty risks, currencies, exchange-rate losses, electrical prices and risks associated with reporting, taxes and fees. Our financial policy for managing financial risks has been approved by the Board and forms a framework of guidelines and rules in the form of risk mandates and limits for financial operations. The overall objective of our financial department is to provide cost-effective funding and to minimise the adverse effects of market fluctuations on company earnings.

Risk	Analysis, management and checks	Risk assessment	
		Risk level	Efficiency level
14 Lack of financing	Financing risk is the most significant risk we have to manage. Our goal is to ensure access to the loan capital necessary for running our operations while also considering the total cost of financing and the loan commitments necessary for the fulfilment of our financial policy. In order to limit financing risk, we must strive to raise credit with long maturities and an even maturity profile for existing loans. The majority of our financing takes place in the Swedish capital market, but issues are also made in international capital markets wherever appropriate from an overall cost and diversification perspective. To further reduce financing risk, there were unutilised backup facilities and overdrafts totalling SEK 5,307 million (5,550) as of 31 December 2019. This amount almost covers the maturity of commercial paper and bonds outstanding for 28 months. As of 31 December 2019, loan-to-maturity was 4.6 years (3.8), and taking unutilised guaranteed loan commitments into consideration, loan-to-maturity was 5.4 (4.4) years.	Low	Very good
15 Interest-rate risk	Interest-rate risk is one of the more significant risks we have to manage. Our interest rate management objective is to achieve low interest expenses over time while adapting the interest rate profile to the underlying business conditions. To manage interest expense and interest-rate risks, we continually assess the existing debt portfolio including derivatives in relation to the current market yield curve. We seek an interest-rate profile that is suitable in terms of total expenses, commercial conditions and applicable business plans. The practice of taking and exiting positions with the aim of making money – referred to as trading – is not permitted. Specialfastigheter’s interest-rate profile is regulated in the financial policy by limiting the number of interest maturities within 12 months to a maximum of 70% of the net loan portfolio. The average fixed-interest term should be within the 1–5 year range. As of 31 December 2019, the average fixed-interest term was 4.0 years (3.2).	Medium	Very good
16 Change in value of financial derivatives	Using interest-rate derivatives may give rise to changes in value due to changes in the market interest rate and the time factor. In determining fair value, we use market quotations on the closing date and generally accepted calculation methods. The change in value is reported in profit or loss. Currency translation to Swedish kronor is at the rates of exchange quoted on the closing date. Interest-rate swaps are measured by discounting future cash flows to their present value. On the closing date, the change in value of interest-rate derivatives amounted to SEK 5 million (negative: 12). However, losses or gains remain unrealised as long as the derivatives are not terminated prematurely.	Medium	Very good
17 Credit and counterparty risk	To reduce credit risk, investments are only permitted in securities with high credit ratings. On 31 December 2019, investments were made in secured Swedish covered bonds with a total nominal amount of SEK 1,100 million. Counterparty risk for derivatives is reduced through our agreement to net assets against liabilities with counterparties with whom we make derivative transactions. To reduce counterparty risk further, Specialfastigheter may enter into agreements that govern the management of collateral pledged at net market value. The company’s counterparty risk in derivative contracts totalled SEK 54 million (55) as of 31 December 2019; this corresponds to the company’s total receivables from unrealised derivatives with positive values. As of 31 December 2019, we have received SEK 35 million (0) as deposits from our counterparties that can be used if a counterparty cannot meet its obligations.	Low	Very good
18 Loss in terms of price of purchased covered bonds	Changes in market interest rates, the credit spread and time factors affect the purchase price of covered bonds. In order to counter this risk, we have taken up interest-rate swaps for equivalent amounts. These have an equivalent impact on earnings in the opposite direction, which eliminates price gains/losses. If the price change is due to a changed credit spread on covered bonds, it will have no impact on the interest-rate swap. In this case, the impact on earnings is only on the covered bond. The covered bonds we buy have the highest credit ratings and are negotiable. A 50 basis-point change in the credit spread entails a change in value of around SEK 12 million to be recognised in profit or loss. This corresponds to barely 1% of our net operating income.	Medium	Very good

### Legal risks

Legal risks include those that concern our property owner responsibility such as the Work Environment Act, the Swedish Environmental Code and the Planning and Building Act.

Risk	Analysis, management and checks	Risk assessment	
		Risk level	Efficiency level
19 Deficiencies in property owner responsibilities	We are constantly reviewing our requirement for skills and skills enhancement and offer skills development to ensure our employees understand what property owner responsibility entails. We keep informed about changes in legislation to ensure compliance with relevant legislative requirements. Due to the Swedish Prison and Probation Service’s high utilisation rate, we have not been able to carry out maintenance to the extent that we deem necessary. The efficiency level is therefore only Acceptable.	High	Acceptable

 = Our most prioritised risks in the area

# Sensitivity analysis

When performing risk analyses, it is important to conduct sensitivity analyses based on various scenarios to see which of them have the greatest impact on income, should they occur. In our own sensitivity analysis we noted that the cost of capital and the yield in terms of property valuations have the greatest impact on our earnings.

Variable	Change	Annualised earnings impact, SEK million
Rental income	+/- 1 percentage point	17.9
Property operations and utilities excl. electricity	+/- 1 percentage point	4.7
Maintenance expenses <sup>1</sup>	+/- 1 percentage point	3.1
Interest	+/- 1 percentage point	36.5
Market rates, derivative instruments <sup>2</sup>	+/- 1 percentage point	26.7
Price change, purchased covered bonds <sup>3</sup>	+/- 1 percentage point	23.6
Cost of capital <sup>4</sup>	+ 0.25 percentage points	-293
Cost of capital <sup>4</sup>	- 0.25 percentage points	302
Yield <sup>4</sup>	+ 0.25 percentage points	-947
Yield <sup>4</sup>	- 0.25 percentage points	1,056

Each variable in the above table has been tested individually.  
 1) Includes capitalised maintenance expenses according to IFRS.  
 2) Impact on earnings relates to the change in value of derivative instruments.  
 3) The impact on earnings relates to momentary changes in deposited covered bonds as of 31 December 2019 with a nominal value of SEK 1,100 million.  
 4) Impact on earnings relates to change in value of investment properties.



Gävle correctional facility

# GRI Sustainability Report

Specialfastigheter's Sustainability Report is integrated into the Annual Report and sustainability information pursuant to the GRI can be found in its various sections. This part of the Annual Report includes a description of our reporting principles and in-depth GRI information.

## Reporting principles

Specialfastigheter applies the 2016 GRI Standards: Core option for sustainability reporting together with GRI's Construction and Real Estate Sector Supplement. Based on the company's strategies and targets, our actual impact and the expectations and requirements of our stakeholders, Specialfastigheter has decided to report eight sustainability areas that are material and relevant to us and our stakeholders. The selected sustainability areas and GRI disclosures are shown in the GRI Content Index on page 52.

The Sustainability Report covers the entire company including subsidiaries, and is applicable to the full-year 2019. The organisation is not split into regions. The Sustainability Report follows the financial year and is published annually. The most recent Sustainability Report was published in the 2018 Annual Report and Sustainability Report on 18 March 2019. The report is cross checked internally and an external authorised public accountant has undertaken a limited assurance engagement of the report.

No significant changes have been made regarding the information provided in the 2018 Annual Report, except for corrections to the inaccurate figure for cooling in 2018.

We have selected 2012 as the base year for our measurements of CO<sub>2</sub> emissions, since we have reliable statistics for all types of media from 2012. Since the GRI disclosures for material are not appropriate for us based on how we work, measure and set targets in the materials area, we have chosen to design our own disclosure to measure chosen materials. Changes to demarcations and/or reporting principles for the data reported are indicated in the relevant text or table.

Disclosures that have an environmental impact are reported with the property holdings for 2019. Descriptions of calculation and measurement methods, any limitations and assumptions are provided alongside each disclosure.

The energy monitoring system takes into account the date on which the area changed (for example, due to remeasurement, acquisition or divestment) and an average area for the year as a whole is then calculated. We have also updated the report to include a new type of media, biogas.

The contact for the Sustainability Report is Kajsa Marsk Rives, Sustainability Strategist, telephone +46 10 788 62 12.



## Specialfastigheter’s governance of sustainability initiatives

Specialfastigheter’s Board is ultimately responsible for sustainability governance. In the management group, the CEO bears overall responsibility, but each head of department is responsible for integrating material sustainability topics in the day-to-day operations. All of the organisation’s managers and employees are responsible for compliance with applicable policies and guidelines. The CEO is responsible for ensuring the requisite resources are in place for imple-

menting the sustainability agenda the company has committed to. To support the management and the operations with sustainability issues, we have a sustainability strategist, an environmental strategist, an energy strategist and a business strategist.

The table shows Specialfastigheter’s governance of sustainability areas. The state’s ownership policy, our sustainability policy, our business plan and our management system provide overall governance and are therefore not specified below.

Material sustainability areas	Guidelines and instructions	Follow-up	Responsibility	Targets and outcomes 2019
<b>CO<sub>2</sub> emissions</b>	Purchasing policy Supplier code of conduct Purchasing agreements SGBC 3.0	Interim reports/year-end report Annual Report Media monitoring Self-assessments and audits of suppliers	Projects and Development Director Head of Purchasing Property Management Director Business Director	<b>Target:</b> Reduce CO <sub>2</sub> emissions from purchased energy by 56% (compared with the base year, 2012) <b>Outcome:</b> Reduction of 54%
<b>Energy</b>	Financial targets Financial policy Purchasing policy Supplier code of conduct Purchasing agreements SGBC 3.0	Interim reports/year-end report Annual Report Media monitoring Self-assessments and audits of suppliers	Projects and Development Director Head of Purchasing Deputy CEO/CFO Property Management Director Business Director	<b>Target:</b> Energy consumption max 198.5 kWh per sq m <b>Outcome:</b> 199.1 kWh per sq m
<b>Materials and chemical products</b>	Purchasing policy Supplier code of conduct Purchasing agreements SGBC 3.0	Audits End documentation in the SundaHus database Annual Report Self-assessments and audits of suppliers	Projects and Development Director Property Management Director Head of Purchasing Business Director	<b>Target:</b> Proportion of material with good environmental classifications in production should amount to 80% <b>Outcome:</b> 75%
<b>Waste</b>	Guidelines for waste in projects Supplier code of conduct Purchasing agreements SGBC 3.0	Self-assessments and audits of suppliers Follow-up in projects	Projects and Development Director Property Management Director Head of Purchasing	Target set in Guidelines for waste in projects Followed up on the project level
<b>Biodiversity</b>	Instructions for mitigation hierarchy	Follow-up in projects Property management plans	Projects and Development Director Property Management Director Business Director	<b>Target:</b> Produce instructions for a mitigation hierarchy <b>Outcome:</b> Instructions produced
<b>Equal treatment</b>	Code of Conduct Equal treatment plan Swedish Discrimination Act Purchasing policy Supplier code of conduct Purchasing agreements	Measurement of key performance indicators for diversity and equal opportunities Salary survey Organisational analysis Survey of the company’s participation in workshops, “Växthuset” tool Self-assessments and audits of suppliers	Managers HR Director Equal Treatment Committee Head of Purchasing	<b>Target:</b> Increase the number of employees with foreign backgrounds to 12% <b>Outcome:</b> 12%
<b>Work environment</b>	Guidelines on physical, organisational and social work environment Guidelines on managing substance abuse problems Instructions, action plan for bullying Equal treatment plan Swedish Work Environment Act Swedish Working Hours Act Swedish Annual Leave Act Purchasing policy Supplier code of conduct Purchasing agreements	Organisational analysis Follow-up of benefit of occupational health services Measuring absence due to illness Incident reporting system Internal controls Risk analysis of human rights Self-assessments and audits of suppliers	CEO Managers HR Director Head of Security Work Environment Committee Equal Treatment Committee Head of Purchasing	<b>Target:</b> Expanded management system for work environment <b>Outcome:</b> GAP analysis conducted and action plan produced
<b>Anti-corruption</b>	Code of Conduct Purchasing policy Supplier code of conduct Security policy Delegation arrangements Purchasing agreements	Whistle-blower system Internal controls Self-assessments and audits of suppliers	CEO Managers Head of Purchasing	<b>Target:</b> No form of corruption or the giving or acceptance of bribes <b>Outcome:</b> 0 cases

## GRI Content Index

GRI Content Index	Disclosure	Page	Global Compact principle
<b>GENERAL DISCLOSURES</b>			
GRI 102: General disclosures			
<b>Organisational profile</b>			
102-1	Name of the organisation	Inside cover	
102-2	Activities, brands, products, and services	Inside cover	
102-3	Location of headquarters	Inside cover	
102-4	Location of operations	Inside cover	
102-5	Ownership and legal form	61	
102-6	Markets served	Inside cover	
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102-9	Supply chain	18, 19, 25	
102-10	Significant changes to the organisation and its supply chain	50	
102-11	Precautionary principle or approach	28–29	7
102-12	External initiatives	53	
102-13	Membership of associations	53	
<b>Strategy</b>			
102-14	Statement from senior decision-maker	4–5	
<b>Ethics and integrity</b>			
102-16	Values, principles, standards, and norms of behaviour	6, 23	
<b>Governance</b>			
102-18	Governance structure	60–67	
<b>Stakeholder engagement</b>			
102-40	List of stakeholder groups	11, 16	
102-41	Collective bargaining agreements	53	3
102-42	Identifying and selecting stakeholders	16	
102-43	Approach to stakeholder engagement	16	
102-44	Key topics and concerns raised	16	
<b>Reporting practice</b>			
102-45	Entities included in the consolidated financial statements	62, 107	
102-46	Defining report content and topic Boundaries	16–17	
102-47	List of material topics	16–17	
102-48	Restatements of information	50	
102-49	Changes in reporting	50	
102-50	Reporting period	50	
102-51	Date of most recent report	50	
102-52	Reporting cycle	50	
102-53	Contact point for questions regarding the report	50	
102-54	Claims of reporting in accordance with the GRI Standards	50	
102-55	GRI content index	52	
102-56	External assurance	58	
<b>MATERIAL TOPICS (GRI TOPICS)</b>			
<b>Anti-corruption</b>			
GRI 205: Anti-corruption			
205-3	Confirmed incidents of corruption and actions taken	23	10
<b>Materials</b>			
GRI 103: Management Approach			
103-1	Explanation of the material topic and its Boundary	17–19, 29, 54	
103-2	The management approach and its components	29, 51	
103-3	Evaluation of the management approach	29, 51	
GRI 301: Materials			
	Share of A and B classed material registered in the SundaHus database (own indicator)	29, 51	7, 8
<b>Energy</b>			
GRI 103: Management Approach			
103-1	Explanation of the material topic and its Boundary	17–19, 28, 54	
103-2	The management approach and its components	28, 51	
103-3	Evaluation of the management approach	28, 51	
GRI 302: Energy			
302-1	Energy consumption within the organisation	28, 55	8
CRE-1	Building energy intensity	28	8

GRI Content Index	Disclosure	Page	Global Compact principle
<b>Biodiversity</b>			
GRI 103: Management Approach			
103-1	Explanation of the material topic and its Boundary	17–19, 29, 54	
103-2	The management approach and its components	29, 51, 55	
103-3	Evaluation of the management approach	29, 51, 55	
GRI 304: Biodiversity			
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	55	8
<b>Emissions</b>			
GRI 103: Management Approach			
103-1	Explanation of the material topic and its Boundary	17–19, 28, 54	
103-2	The management approach and its components	9, 28, 51	
103-3	Evaluation of the management approach	9, 28, 51	
GRI 305: Emissions			
305-1	Direct (Scope 1) GHG emissions	55	8
305-2	Energy indirect (Scope 2) GHG emissions	55	8
305-3	Other indirect (Scope 3) GHG emissions	55	8
CRE-3	Greenhouse gas emissions intensity from buildings	28	8
<b>Effluents and Waste</b>			
GRI 103: Management Approach			
103-1	Explanation of the material topic and its Boundary	17–19, 29, 54	
103-2	The management approach and its components	29, 51, 55	
103-3	Evaluation of the management approach	29, 51, 55	
GRI 306: Effluents and Waste			
306-2	Waste by type and disposal method	55	8
<b>Supplier Environmental Assessment</b>			
GRI 103: Management Approach			
103-1	Explanation of the material topic and its Boundary	17–19, 25–26, 54	
103-2	The management approach and its components	25–26, 51	
103-3	Evaluation of the management approach	51, 57	
GRI 308: Supplier Environmental Assessment			
308-1	New suppliers that were screened using environmental criteria	57	8, 9
<b>Occupational Health and Safety</b>			
GRI 103: Management Approach			
103-1	Explanation of the material topic and its Boundary	17–19, 30, 54	
103-2	The management approach and its components	30, 51	
103-3	Evaluation of the management approach	30, 51	
GRI 403: Occupational Health and Safety			
403-2	Hazard identification, risk assessment and incident investigation	55–56	1
<b>Diversity and equal opportunity</b>			
GRI 103: Management Approach			
103-1	Explanation of the material topic and its Boundary	17–19, 30, 54	
103-2	The management approach and its components	30, 51	
103-3	Evaluation of the management approach	30, 51	
GRI 405: Diversity and equal opportunity			
405-1	Diversity of governance bodies and employees	30, 56, 68–69	1, 6
<b>Supplier Social Assessment</b>			
GRI 103: Management Approach			
103-1	Explanation of the material topic and its Boundary	17–19, 25–26, 54	
103-2	The management approach and its components	25–26, 51	
103-3	Evaluation of the management approach	51, 57	
GRI 414: Supplier Social Assessment			
414-1	New suppliers that were screened using social criteria	57	1–6



## GRI – general disclosures and material sustainability areas

GRI information that cannot be found in the other parts of the Annual Report is published here.

### GRI 102-8 Information on employees and other workers

Gender distribution of temporary employees and permanent employees

Total number of employees	2017	2018	2019
Women	42 (29.2%)	37 (25.7%)	44 (27.8%)
Men	102 (70.8%)	107 (74.3%)	114 (72.2%)
<b>Total</b>	<b>144</b>	<b>144</b>	<b>158</b>
Total number of temporary employees	2017	2018	2019
Women	3	0	3
Men	1	1	2
<b>Total</b>	<b>4</b>	<b>1</b>	<b>5</b>

All figures pertain to 31 December in the year concerned.

All employees are full time employees. A certain proportion of the organisation’s work is carried out by external consultants, contractors or their subcontractors. These individuals are not covered by the summary. We are not able to report this separately as most of the external human resources work intermittently and only a few have consultancy assignments with fixed working hours. The invoicing system does not allow the retrieval of cost data specified by consulting hours. No significant seasonal variations in the number of employees occur.

### GRI 102-12 External initiatives

Initiative	
Fossil Free Sweden	Member
Roadmap for fossil-free competitiveness initiative: Construction and civil engineering sector	Member
BELOK	Member
GreenChain	Member
NMC (The Swedish Association for Sustainable Business)	Member
NSD (the Confederation of Swedish Enterprise’s security delegation)	Member
Håll nollan	Member
Återbruksnätverket Öst	Member
Business @ Biodiversity	Member

### GRI 102-13 Membership of associations

Organisation	Type of participation
ASIS International Sweden (American Society for Industrial Security)	Member
BIM Alliance	Member
Swedish Construction Clients Forum	Member, Deputy CEO/CFO is a Board member
Swedish Centre for Innovation and Quality in the Built Environment	Member
Collaborative forum	Member of steering and management groups and various project groups (BIM, HUT, Rules and agreements)
SGBC (Swedish Green Building Council)	Member
Smart Built Environment	Member
SNOS (Säkerhet för näringsliv och samhälle)	Member
Stockholm Chamber of Commerce	Member, the CEO is a city councillor
SWERMA (Swedish Risk Management Association)	Member
TUC Vocational School	The Head of Purchasing is a member of the management group for strategic purchasing
Development of public sector property activities (UFOS)	Member

### GRI 102-41 Collective bargaining agreements

All employees are covered by collective-bargaining agreements. Specialfastigheter belongs to the Almega employers’ association and applies the civil servants’ union agreement for the property sector.



Juvenile care home Rebecka on Ekerö outside Stockholm

**GRI 103-1 Explanation of the material topic and its Boundary**

GRI topic	Topic boundary	Limitations
Emissions	Direct impact through greenhouse gas emissions from energy sources under our control, including service vehicles. Indirect impact through emissions from purchased energy (electricity, steam, heating and cooling), which occurs at the producer. Indirect emissions from our business travel.	We do not report indirect emissions from contractors' energy use for new builds, redevelopments and extensions and from suppliers' emissions in the manufacture of materials, nor do we report emissions from our employees' commutes, since these figures are not obtainable at present.
Energy	Direct impact through energy use at offices and by property management service vehicles. Indirect impact on technical installations in our properties and the choice of fuel through the material requirements we set for our contractors. Indirect impact through our tenants' energy use. Indirect impact through contractors' energy use for new builds, redevelopments and extensions and through our suppliers' energy use in the manufacture of materials.	We report our tenants' energy use in our property holdings as the energy used in our properties is considerable.
Materials	Direct impact through the choice of material in property management. Indirect impact on contractors' use of materials through the material requirements we set for our contractors.	We report the share of registered materials that meet classes A and B in the Sunda-Hus database.
Waste	The construction and property sector generates considerable spillage and waste. Direct impact through our own waste management and through the requirements we set for contractors. Indirect impact through the waste generated by our contractors and suppliers.	Due to a lack of data we cannot currently provide figures for waste but it is our goal for 2020 to collect reliable statistics.
Biodiversity	When we utilise our land and manage our properties, we affect the natural ecosystem and risk changing or destroying numerous habitats. Direct impact through resolving on inventories and measures. Indirect impact through our contractors' activities on our properties.	We have no reliable statistics for 2019 due to the project being under development.
Occupational Health and Safety	Direct impact on the physical, organisational and social work environment internally at Specialfastigheter. Indirect impact on the work environment at suppliers and contractors by setting and following up on requirements for their work environments.	We report work-related accidents and serious near accidents in projects with a budget exceeding SEK 5 million.
Equality and diversity	Direct impact by promoting increased diversity at Specialfastigheter and in the property sector generally.	
Supplier Social Assessment	Indirect impact on working conditions and human rights at suppliers and contractors by setting and following up on requirements in terms of working conditions and human rights.	We primarily assess our contracted suppliers.
Supplier environmental assessment	Indirect impact on environmental efforts at suppliers and contractors by setting and following up on environmental requirements.	We primarily assess our contracted suppliers.
Anti-corruption	Direct impact in the procurement and purchase, and through internal courses as well as from contact with customers and suppliers. Indirect impact on anti-corruption efforts at suppliers and contractors by setting and following up on anti-corruption requirements.	

**GRI 302-1 Energy consumption within the organisation**

Energy purchased for our properties such as electricity, district heating and how large a proportion is not renewable; biofuel, electric heating, bio oil, oil, gas and cooling. The total amount of energy purchased for our properties during the year was 795,399 GJ, compared to 806,446 GJ the previous year. The total amount of energy purchased in the previous year is adjusted to reflect the 2019 property holdings. Energy use is followed up monthly at the property level and by energy type.

	Own production from renewable sources, GJ		
	2017	2018	2019
Solar electricity	244.4	402.5	466.6

	2017	2018	2019
Electricity	390,315	404,479	397,666
District heating, renewable	270,560	282,865	285,426
Pellets	15,020	12,024	9,669
Bio oil	4,203	1,900	1,268
Biogas	3,485	7,232	7,299
Electric heating	23,188	22,199	22,373
Cooling	56,069	75,748	71,699
<b>Total renewable energy</b>	<b>762,839</b>	<b>806,446</b>	<b>795,399</b>
District heating, non-renewable	17,270	13,329	14,391
Oil	9,275	13,691	12,084
Gas	3,072	0	0
<b>Total non-renewable energy</b>	<b>29,616</b>	<b>27,019</b>	<b>26,475</b>
<b>Total (GJ)</b>	<b>792,456</b>	<b>833,466</b>	<b>821,874</b>

### GRI 304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations

Specialfastigheter began identifying which Red List species are present on the properties we own. The goal of these inventories is to develop action plans to provide better conditions for Red List species on each property and to increase the existing biodiversity, even when no Red List species are present.

To date, two properties were inventoried in 2016 and one in 2019. The reports for 2016 are finished and indicate that the properties were home to six species on the Red List from 2015. Four species with the classification NT (near threatened). Two with the classification VU (vulnerable). Work has begun to identify measures to improve biodiversity on these two properties. The number of Red List species on the property inventoried at the end of 2019 remains to be seen, as the report is not yet finished.

### GRI 305-1 Direct (Scope 1) GHG emissions

Here we show emissions made up of direct emissions and emissions from our own production of heating. We use the Swedish Environmental Protection Agency model to calculate our total CO<sub>2</sub> emissions. Here we show emissions resulting from the use of oil, gas, pellets and bio oil use. Source emissions factors: Swedish Environmental Protection Agency<sup>1</sup>.

The CO<sub>2</sub> eq used for oil is 267.3g CO<sub>2</sub> eq/kWh, for gas 226.2g CO<sub>2</sub> eq/kWh, for biogas 0 g CO<sub>2</sub> eq/kWh, for pellets 2.9g CO<sub>2</sub> eq/kWh and for RME 8.1g CO<sub>2</sub> eq/kWh.

	2017	2018	2019
Non-renewable energy	826.6	1,016.5	897.32
Renewable energy	39.1	19.3	10.64
<b>Total</b>	<b>865.7</b>	<b>1,035.8</b>	<b>908.0</b>

### GRI 305-2 Energy indirect (Scope 2) GHG emissions

Here we report emissions made up of indirect emissions from purchased electricity and heating, using the market-based approach. Each year, we update the CO<sub>2</sub> equivalents that we use when calculating CO<sub>2</sub> emissions. The calculation of carbon dioxide emissions resulting from our use of district heating was based on supplier information regarding the fuel mix used in delivering the major proportion of district heating to us during the year. The information is taken from <https://www.energiforetagen.se/statistik/fjarrvarmestatik/miljovardering-av-fjarrvarme/>. With the help of the district heating providers who delivered district heating to us over the year, CO<sub>2</sub> equivalents attributable to district heating were calculated as 43.7 g CO<sub>2</sub> eq/kWh. CO<sub>2</sub> equivalents for district heating increased, one reason being that the CO<sub>2</sub> equivalent for incinerating waste increased.

	2017	2018	2019
District heating, renewable	4,126.0	3,315.8	3,464.8
District heating, non-renewable	263.4	156.2	174.7
Electricity	0.0	0.0	0.0
<b>Total (tonnes, CO<sub>2</sub> eq)</b>	<b>4,389.4</b>	<b>3,472.1</b>	<b>3,639.5</b>

<sup>1</sup> <https://www.naturvardsverket.se/Stod-i-miljoarbetet/Vagledning/Luft-och-klimat/Berakna-dina-utslapp-av-luftfororenningar/>

Reportable quantities of refrigerants are reported to the supervisory authority. Discharges are reported when discharges occur, which was not the case during 2019. The amount, in kg, of refrigerants increased somewhat due to clearer reporting and to Specialfastigheter's new buildings that went into use in 2019.

Refrigerants, kg	2017	2018	2019
HFCs	3,260.62	3,305.97	3,419.32

### GRI 305-3 Energy indirect (Scope 3) GHG emissions, tonnes, CO<sub>2</sub> eq

We currently lack the capability to obtain data for rental vehicles and for employees' commutes by vehicle. Source emissions factors: Swedish Environmental Protection Agency<sup>1</sup>.

Business travel	2017	2018	2019
Air travel	40.9	40.6	21.4
Rail travel	0.0	0.0	0.0
Service vehicles, company cars and own vehicle	106.1	98.5	101.3
<b>Total (tonnes, CO<sub>2</sub> eq)</b>	<b>146.9</b>	<b>139.1</b>	<b>122.7</b>

### GRI 306-2 Waste by type and disposal method

Data for waste in projects will be prepared and checked in 2020. Specialfastigheter will acquire reliable data in 2020 that will provide information regarding the results of waste activities in projects finished in 2019. The year 2019 will be Specialfastigheter's base year for this work. The projects can have been in progress for a longer period of time, but the criteria is for them to have been completed in 2019. We therefore have no data to report due to backlog, since the projects need to be completed before we can compile the statistics. Processing the data is important and it takes time to ensure that it is accurate.

### GRI 403-2 Hazard identification, risk assessment and incident investigation

We offer all of our employees industrial injury, group life and healthcare insurance. We also make use of occupational health services where necessary. All of our employees who work in environments with an increased risk of contagious diseases are offered vaccinations.

During the year, 13 work environment incidents were reported in our incident reporting system. In 2018, 19 were reported and 16 during 2017. Work environment incidents encompass high-risk conditions, near-accidents and injuries primarily suffered by our employees. Some of the incidents pertain to consultants and contractors working for Specialfastigheter. Since incident reporting for consultants and contractors is not universal, we have requested reports for 2018 and 2019 from our 30 largest suppliers covering near-accidents and accidents that occurred while performing tasks for Specialfastigheter.

Work-related accidents, near accidents and injuries	2017	2018	2019
Number of serious near accidents reported	0	0	0
Number of serious accidents reported	0	1	0
Number of work-related accidents classified as work-related injuries that resulted in absence due to illness	1	1	1
Number of work-related accidents classified as work-related illness	1	0	0

### Number of work-related injuries in projects, with contractors and subcontractors

The risk of work-related injuries and near accidents is substantial in projects where there are many hazardous work tasks including the following risk areas: falling, collapse, demolition, detonation, hazardous substances and heavy lifting. We have reported the work-related injuries and near accidents at our 30 largest<sup>1</sup> contractors and their subcontractors when performing work for Specialfastigheter in 2019. The statistics are based on figures reported by contractors with work environment responsibility.

1) Based on spend Oct 2018–Sep 2019.

Work-related injuries and near accidents in projects	2017	2018	2019
Number of near accidents reported	n/a	49	33
Number of accidents reported	n/a	36	30

Specialfastigheter is not split into regions and we do not have access to accident statistics broken down by gender. No work-related fatalities occurred during 2017–2019. We comply with Swedish legislation when recording and reporting accident statistics. Because the number of work-related accidents is so low, we do not find it meaningful to report accident ratios or ratios regarding work-related illnesses.

Absence due to illness, % of total working hours	2017	2018	2019
Women	1.05%	1.88%	0.86%
Men	3.44%	1.86%	1.94%
All employees	2.73%	1.87%	1.64%

Absence due to illness only refers to our employees, not consultants, contractors or their subcontractors. We do not report their absence due to illness separately as external human resources report any absence to their own employer and not to us.

### GRI 405-1 Diversity of governance bodies and employees

Gender and age breakdown, Board, management and employees

Average age	2017	2018	2019
Board, including alternates	54	54	54
Management	51	52	51
Employees	47	47	47

The compositions of the Board and executive management are presented in more detail on pages 68–69 and 70–71. The proportion of employees with a foreign background is reported on page 30.

#### Number of people on the Board including alternates

2017: 5 women, 6 men.

2018: 5 women, 6 men.

2019: 5 women, 6 men.



#### Number of people on the Board

2017: 5 women, 3 men.

2018: 5 women, 3 men.

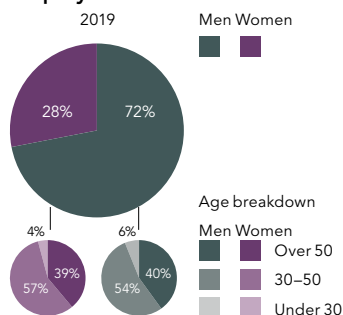
2019: 6 women, 3 men.



Board, including alternates		Age breakdown			Total
		Under 30	30–50	Over 50 years	
2017	Women	0%	40%	60%	45%
	Men	0%	17%	83%	55%
2018	Women	0%	40%	60%	45%
	Men	0%	17%	83%	55%
2019	Women	0%	20%	80%	45%
	Men	0%	17%	83%	55%

Management		Age breakdown			Total
		Under 30	30–50	Over 50 years	
2017	Women	0%	60%	40%	62.5%
	Men	0%	0%	100%	37.5%
2018	Women	0%	60%	40%	62.5%
	Men	0%	0%	100%	37.5%
2019	Women	0%	50%	50%	67.0%
	Men	0%	0%	100%	33.0%

### Employees

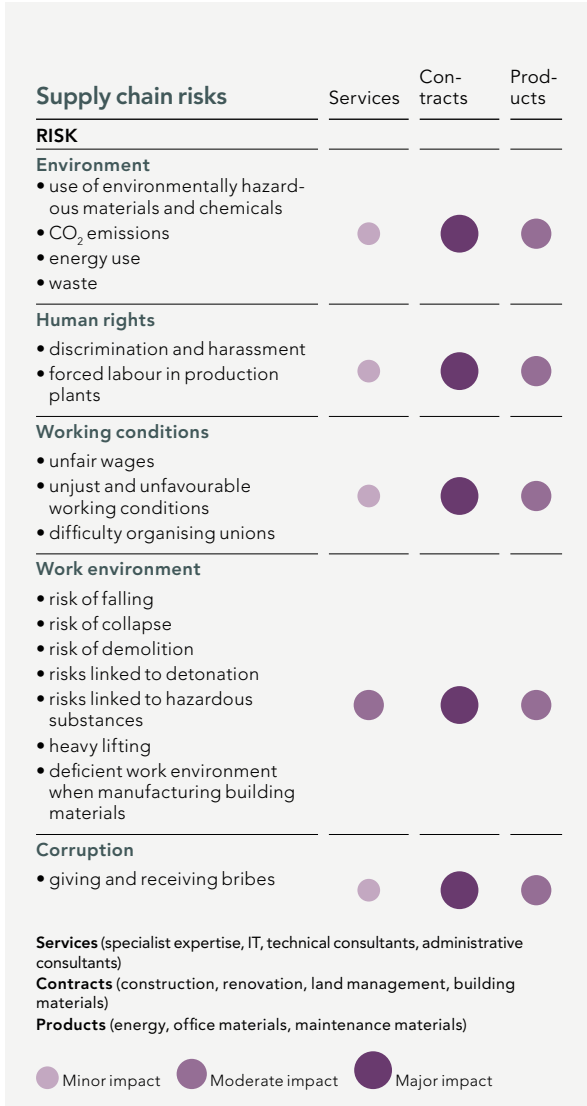


Unit	2017		2018		2019	
	Women	Men	Women	Men	Women	Men
CEO	1	0	1	0	1	0
Accounting, Treasury and Financial Control	10	4	7	4	8	4
Purchasing	5	4	4	2	4	3
IT	3	1	3	2	5	2
Support functions <sup>1</sup>	8	1	7	3	9	3
Business areas	1	5	1	5	1	5
Property management	6	68	5	68	7	72
Projects & Development	8	19	9	23	9	25
<b>Total</b>	<b>42</b>	<b>102</b>	<b>37</b>	<b>107</b>	<b>44</b>	<b>114</b>

1) Includes the units: HR, Communication, Quality & Sustainability and Security.



Stockholm Court House



**GRI 308-1 and 414-1 New suppliers that were screened using environmental and social criteria**

Our supplier code of conduct contains environmental and social criteria pertaining to the following areas: the environment, information security, working conditions, human rights, work environment and business ethics. The reason the share has declined to 51% is that a larger share of newly signed leases in 2019 were low in both value and risk. In accordance with our purchasing strategy we sign, to a large extent, long-term framework agreements, meaning fewer procurements of agreements that would be subject to the supplier code of conduct and self-assessment.

	2017	2018	2019
Number of supplier code of conduct on-site audits executed	4	5	7
Percentage of new agreements <sup>1)</sup> , where suppliers accepted our Code of Conduct and carried out self-assessments	80%	70%	51%

<sup>1)</sup> We report the percentage of new contracts rather than the percentage of new suppliers since it provides a more complete picture of our auditing of the supply chain.

**Risks in the supply chain in terms of human rights**

Our supply chain is complex and comprises a large number of contractors and subcontractors. Risk increases as one progresses down the chain, and our ability to influence the risks decreases. Our assessment is that the greatest risks are linked to our contracts, followed by the goods and services we purchase. Risks include the risk of discrimination and harassment, forced labour in production plants, unfair working conditions and a poor work environment. To manage these risks, our purchasing organisation has a central unit that procures and signs all framework agreements. During procurement we set overall demands that are supplemented by our obligatory Supplier Code of Conduct. We conduct regular dialogues with our contracted suppliers and perform off-site and on-site audits that encompass how they set requirements and follow up their subcontractors. To date, we have not carried out audits of subcontractors.

# Assurance Report

Auditor's limited assurance report on Specialfastigheter Sverige AB's (publ) Sustainability Report.

To Specialfastigheter Sverige AB (publ), Company Registration Number 556537-5945

## Introduction

We have been engaged by the Board of Specialfastigheter Sverige AB (publ) to undertake a limited assurance engagement of Specialfastigheter's Sustainability Report for 2019. The company has defined the Sustainability Report's scope to the sections referenced in the GRI index on page 52.

## Responsibilities of the Board of Directors and the Executive Management for the Sustainability Report

The Board and executive management are responsible for the preparation and presentation of the Sustainability Report in accordance with the applicable criteria described on page 50 in the Sustainability Report comprising the applicable parts of the sustainability reporting framework issued by the GRI (Global Reporting Initiative), as well as the accounting and calculation principles that the company has developed and disclosed. This responsibility also includes the internal controls considered necessary for preparing a Sustainability Report that does not contain material misstatements, whether due to fraud or error.

For the Board's signatures on the Sustainability Report, see page 108.

## Responsibilities of the Auditor

Our responsibility is to express a limited assurance conclusion on the Sustainability Report based on the procedures we have performed. Our assignment is limited to the information in this document and the historic data reported and thus does not include future-looking information.

We have conducted our limited assurance engagement in accordance with ISAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less extensive than for, a reasonable assurance engagement conducted in accordance with the International Standards on Auditing and Quality Control and other generally accepted auditing standards in Sweden.

The audit firm applies the International Standard on Quality Control (ISQC) 1 and, accordingly, has a comprehensive system for quality control comprising documented guidelines and routines for complying with ethical requirements, professional standards, and applicable laws and regulations. We are independent of Specialfastigheter Sverige AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

Consequently, the procedures performed in a limited assurance engagement do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement.

Accordingly, the conclusion based on a limited assurance engagement does not have the same degree of certainty as a reasonable assurance conclusion.

Our review is based on the criteria defined above and chosen by the Board and executive management. We consider these criteria suitable for the preparation of the Sustainability Report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

## Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report, is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

Stockholm, 23 March 2020

Ernst & Young AB

Mikael Ikonen  
Authorised Public Accountant

Marianne Förander  
Expert Accountant  
Member of FAR



# “Digitalisation is more about people and changes in behaviour than about technology”

Specialfastigheter’s IT Manager Masoomah Antonsson was appointed to CIO this year. On 1 July, she also joined the management group. What does she think of the technical challenges ahead of us and what will be the next stop on the digitalisation journey?

## What does digitalisation mean to you?

Digitalisation is, as I see it, one of many tools that help us make the company successful and competitive over the long term. It’s really about *what creates value*, for the customer and for us. Put simply, we need to drive change to meet the new digital reality, which will include new behaviours and working methods as well as new services and products, among other things.

## What do you think of your new role as CIO and being part of the management group?

I’m really looking forward to leading our development in this area! The rapid rate of digital social development increases demands on the technological standards in our properties, obviously, but also on employees’ skills and our ability to identify and address gaps in security related to new technology. Digitalisation requires close collaboration between IT and operations, and in IT we have a responsibility to work closer with both operations and the customer. We can’t just stay in “our corner.” We need to be a strategic business partner.

My role will be less operative than before because I’ll now be making sure that, in terms of strategy, we look ahead and think about how the world will change and what kind of company Specialfastigheter wants to be going forward. It’s only natural that I’ll also be part of the management group.

## What are the biggest advantages and challenges with digitalisation, now and in the future?

The overall degree of digital maturity in society has increased, and today it’s more or less impossible to imagine life without modern technology. Digitalisation gives the company access to a much larger amount of data than before, which can help us take the right decisions – but we need to know what we’re looking for. Taking care of properties is rarely our customers’ core operation. If we digitalise our operations properly, we can streamline our work and create an even better customer offering.

We have an explicit requirement from our owner to use new technology but also to be aware of the new risks. Digitalisation entails opportunities, obviously, but also new types of security threats that we must be aware of. IT and cyber security is an area that grows in pace with the threat.

Systems themselves won’t be able to think – we still need to do that ourselves. But our brain power will go towards analysis and improvements, not sitting and inputting data. The labour market will probably change drastically and in the future, people will work with entirely different things than today. The development requires skills development for existing employees and an eventual review of our skills sourcing. In a nutshell, this is about people and changes in behaviour. Collaboration is key.

# Message from the Chairman

Being a state-owned company entails a special responsibility. Our owner – the nation’s citizens – have the right to expect that we always act in a manner that inspires confidence and which meets the high standards demanded of a sustainable business operation. The state’s ownership policy forms the basis of the Board’s governance. This means that we comply with relevant parts of the Swedish Corporate Governance Code.

The security situation in the country and in our operating environment has changed and uncertainty lingers regarding the geopolitical situation. In a harsher society there is a greater need for secure properties. Security issues are always in focus for Specialfastigheter, but during the year extra effort has gone into analysing and adapting operations to the new Protective Security Act, which pertains to protecting information and operations that are of significance for Sweden’s protection against espionage, sabotage, terrorism and other threats. The Government Offices of Sweden have reviewed the state-owned companies’ protective security analysis and were very pleased with Specialfastigheter’s work.

Demand for public sector properties is substantial, especially for schools and care homes. But interest in secure facilities has also increased since they, from a property owner’s perspective, are interesting and often entail long leases with public sector customers, which guarantees secure revenue. It’s drawing more and more actors and the company is facing increased competition.

Many of our customers have reached capacity and have major investment needs. Specialfastigheter has prepared itself and stands well equipped, in terms of finances and capacity, to quickly adapt and meet customers’ increased demand. Increased appropriations to customers during the coming years will create good conditions for new investments.

Specialfastigheter’s sustainability strategy is integrated into all operations at the company and this work has driven efficiency and innovation in property management for several years. Global warming remains a serious threat and climate issues were highlighted at the Board’s annual strategy meeting. The Board and an external lecturer discussed how the company can be better prepared to meet the climate threat. Last year, Specialfastigheter set a new, more ambitious carbon dioxide emissions target for purchased energy. However, that’s not enough. The company needs to take a greater and broader responsibility by working with emissions issues through the properties’ entire life-cycle. That is why materials and waste, for example, are



Eva Landén,  
Chairman of the Board

also key sustainability areas now. As a large land- and forest-owner, the company also affects biodiversity and work is ongoing to discover how damage can be avoided. The strong are seldom alone, however. Specialfastigheter has collected framework agreement contractors in a series of sustainability workshops to work together to find activities that reduce our climate and environmental impact and that improve social sustainability. Strategic environment and climate dialogues have also been held with our largest customers.

Attracting and retaining skilled employees is an important competitive factor. It is especially important since Specialfastigheter chooses to conduct operations with its own, locally based employees that can have a close working presence to customers. The Board follows HR’s recommendations carefully and ambitions are high when it comes to training employees and a positive corporate culture.

For 2019, the annual evaluation of the Board showed that the Board’s work functioned well, with members representing various skills and experiences that are essential for quality work.

*Eva Landén, Chairman of the Board*



# Corporate Governance Report

## Corporate governance at Specialfastigheter

Specialfastigheter Sverige AB is characterized by the company's ability – from a sustainable social perspective – to create well-functioning principles and processes that enable the efficient and controlled management, leadership and development of operations. Specialfastigheter's corporate governance report forms part of the statutory annual report.

## State ownership

Specialfastigheter Sverige AB is a Swedish limited liability company wholly owned by the Swedish state. The owner governs Specialfastigheter through the General Meeting of shareholders and the Board of Directors in accordance with the Swedish Companies Act, the Articles of Association and the instructions in the form of the state's ownership policy and other guidelines adopted by the government ([www.regeringen.se](http://www.regeringen.se)).

## Corporate governance

Specialfastigheter's corporate governance is based on Swedish legislation and regulations, and the state's ownership policy stipulates that state-owned companies must act in an exemplary manner in the field of sustainable enterprise and otherwise act in a manner that inspires public confidence. Integrating a sustainability approach into operations is a natural part of the long-term business strategy and business development. Sustainability activities are reported in accordance with the GRI Standards: Core option. Our risk management enables us to identify threats and opportunities and, based on this, the company's overarching strategy areas and goals are established. We apply the Swedish Corporate Governance Code, (the Code) ([www.corporategovernanceboard.se](http://www.corporategovernanceboard.se)). In accordance with the Comply or Explain principle of the Code, the government has justified deviations in certain matters.

Based on this, Specialfastigheter deviates from the Code as follows:

- The owner's guidelines mean that the Code rules concerning the preparation of decisions on the nomination of Board members and auditors are replaced by a special process for state-owned companies.
- The independence of the members of the Board in relation to the state as a major shareholder is only reported in relevant listed companies.
- According to the Code, the CEO may be a member of the Board but not its Chairman. The government considers it important to separate the Board's and the CEO's roles. Accordingly, the CEO may not be a member of the Board.
- Specialfastigheter has no internal audit function independent from management as described under rule 7.3 of the Code. When audit requirements are identified by the Board, these are procured externally from independent auditors. The principal reason for these deviations from the Code is that Specialfastigheter has only one owner, while the Code is mainly aimed at listed companies with dispersed ownership.

## Articles of Association

Because the state owns 100% of the company, there is no regulation governing shareholding per shareholder contained in the Articles of Association. The Articles of Association lack specific regulations on the appointment and dismissal of Board members or on changes to the Articles of Association. The Articles of Association are approved at general meetings of shareholders and are available in their entirety on the company's external website.

## General meeting of shareholders

Specialfastigheter's highest decision-making body is the general meeting of shareholders. The Annual General Meeting (AGM), which is held within four months of the end of the financial year, considers the progress of the company and passes resolutions on a number of central issues, such as the election of Board members and auditors, adoption of the company's balance sheets and income statements, the distribution of profits and discharge from liability of the members of the Board and the CEO. The AGM also decides on financial targets and changes to the Articles of Association, and approves the Sustainability Report. The general meeting has not authorised the Board to decide on whether the company shall issue new shares or acquire its own shares.

The Board is responsible for convening the general meeting of shareholders. The Board proposes guidelines to the Annual General Meeting (AGM) for the remuneration of senior executives for approval, and reports on whether guidelines decided upon previously have been adhered to and the reasons for any deviations. Specialfastigheter calls an AGM no earlier than six weeks and no later than four weeks before the meeting. The company provides information on its website regarding the time and place for the AGM in conjunction with the interim report for the third quarter, which is normally at the end of October.

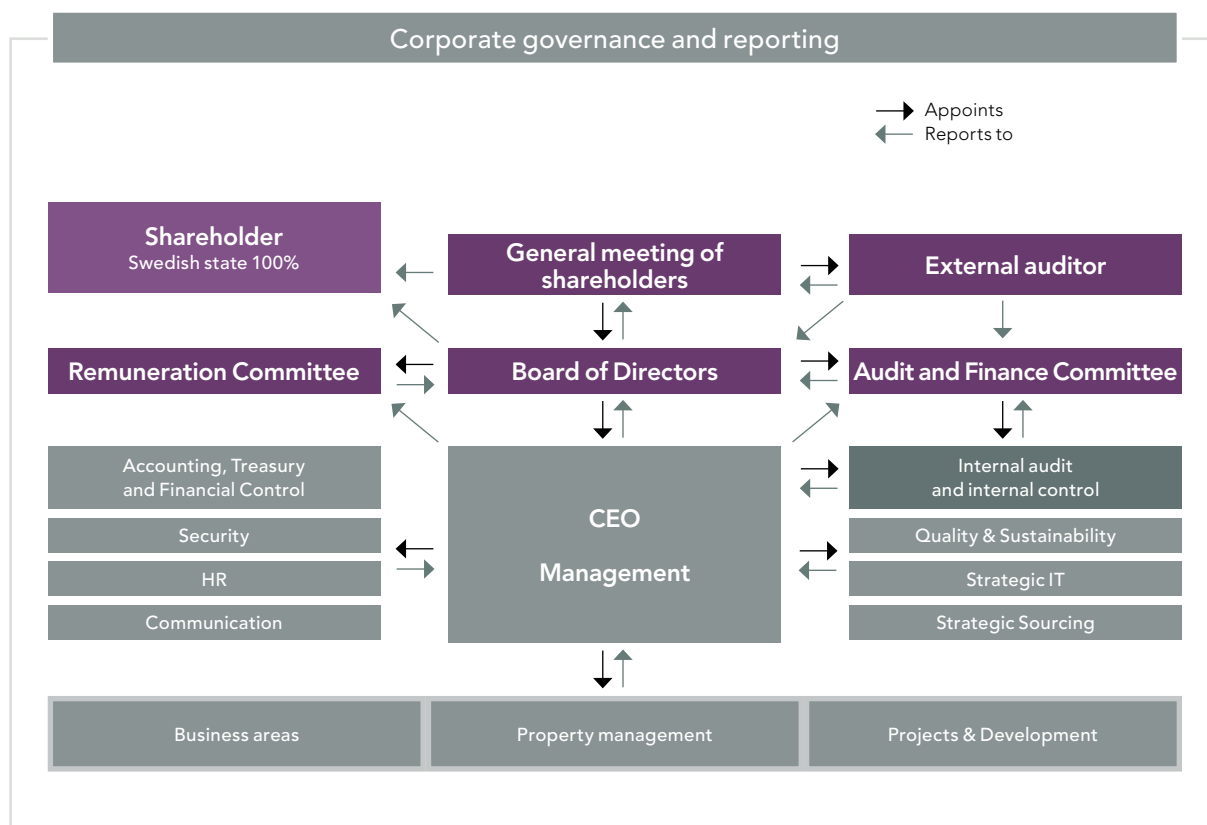
The 2019 AGM was held on 12 April. The AGM was open and the general public was invited to attend together with other specially invited persons such as members of the Swedish parliament, customers and other stakeholders who were given the opportunity to pose questions and receive answers. The owner was represented by Department Secretary Gustaf Hygrell from the Government Offices of Sweden. The 2020 AGM will be held on 21 April. Documents prior to, and minutes from our AGMs are available on Specialfastigheter's external website.

## Board composition and working method

The Board is responsible for ensuring that companies in which the state participates are managed in an exemplary fashion within the framework provided by legislation, the company's Articles of Association, the state's ownership policy and any other owner instructions.

## Board nomination process

For wholly state-owned companies, the following principles replace the rules of the Code regarding the preparation of decisions on the appointment of Board members and auditors:



- Uniform and common principles for a structured Board nomination process are applied. The aim is to ensure an effective supply of skills and expertise to the companies' boards.
- The nomination process is coordinated by the unit for company analysis and corporate governance at the Ministry of Enterprise and Innovation.
- A working group analyses needs for skills and expertise on the basis of the company's operations, situation and future challenges as well as the composition of the Boards concerned. Any recruiting needs are then determined and recruitment process begins.
- Members are selected from a broad recruitment base with the aim of making best use of the skills and expertise of men and women alike, as well as people with different backgrounds and experience.

A more detailed description of the nomination process can be found in the state's ownership policy. Once the process is completed, nominations are published in accordance with the Code.

**Board composition**

The owner's point of departure when nominating each of the Board members is the Board's skills requirement based on the relevant issues for the company. Board members must continuously acquire knowledge about the company that is necessary for the assignment. According to the Articles of Association, Specialfastigheter's Board may comprise no fewer than three and not more than ten members elected by the general meeting. The employee organisations have the right to appoint a total of two full members and two alternate members. Board members are elected for one year at a time.

Newly elected Board members are introduced to the company's business focus, market, policies and systems for internal control and risk management. During 2019, Specialfastigheter's Board consisted of seven members elected by the general meeting and two full members and two alternates appointed by the employee organisations. At the most recent meeting, Pierre Olofsson was elected as a new member of the Board and Jan Berg stepped down. Eva Landén was re-elected Chairman of the Board.

**Independence requirement**

The state's ownership policy states that nominations to the Board must be published in accordance with Code's guidelines, with the exception of reporting independence in relation to major shareholders. The reason why the company must report Board member independence is primarily to protect minority shareholders in companies with dispersed ownership. Wholly state-owned companies thus lack such reasons for reporting independence.

**The work of the Board**

The Board is responsible for managing the company within the confines of the law and in accordance with the owner's long-term interests. Corporate governance is conducted from a social perspective and safeguards the company's value-creating abilities in the long term. The Board bears the ultimate responsibility for the organisation and administration of the company. The most important policy documents are:

- Articles of Association
- Minutes from general meetings
- The state's ownership policy and other guidelines
- Rules of procedure for the Board, instructions for the allocation of work between the Board and the CEO, instructions for financial reporting and policies adopted by the Board.

During 2019, the Board held eight scheduled Board meetings and one statutory meeting.

Board member attendance at Board meetings in 2019 is presented in the table on page 63.

The work of the Board takes place in accordance with the rules of procedure adopted annually at the statutory meeting of the new Board following the AGM. The rules of procedure govern the delegation arrangements within the company as well as the procedure for Board meetings, reporting instructions and the allocation of work between the Board, its Chairman, the CEO and Board committees. The work of the Board focuses on strategic issues, such as the focus of operations, material policies, market, finance and economics, major investments, risks, personnel and leadership, internal control and efficiency, and sustainable development in regard to financial, environmental and societal responsibility. During the year, the Board adopted policies in respect of finance, sustainability, information security, purchasing, communications, quality, security and insiders. Other important policy documents adopted by the Board are the business plan including the budget. The Board appoints the CEO and approves any significant positions the CEO may occupy outside the company. When the company is faced with especially important decisions, the Board, acting through its Chairman, must coordinate its view with representatives for the owner and present it in writing prior to a Board decision.

#### Audit and Finance Committee

The Audit and Finance Committee includes at least three members appointed by the Board of which one is the Committee's Chairman. The Deputy CEO and CFO also participate in the Committee (with the Communication Director as secretary), along with the CEO and other company representatives when deemed necessary.

The principal assignments according to the adopted rules of procedure include supervising the company's financial reporting, preparing quarterly reports for adoption by the Board, supervising the efficiency of the company's internal controls and risk management with regard to financial reporting, supervising the company's work with capital structure and other financing issues including the management of financial risks and, together with company management, the preparation of financing matters, finance strategy and policies for adoption by the Board. The Committee is obliged to prepare minutes of its meetings and make the minutes available to the Board.

During 2019, the Committee held five scheduled meetings. Committee member attendance is shown in the table "Board composition and attendance during 2019."

#### Remuneration Committee

The Board appointed a Remuneration Committee that includes the Chairman of the Board and a minimum of an additional two members specially appointed by the Board. The CEO is present at Committee meetings as the recorder and the company's HR Director usually participates. The Remuneration Committee's principal task according to the adopted rules of procedure, is to prepare matters for the Board regarding remuneration, remuneration principles and other terms of employment for the CEO and other members of company management, monitor and evaluate the application of guidelines for remuneration of senior executives as resolved by the AGM and applicable succession planning, remuneration structures and levels on an overall level in the company. The Committee must follow up and evaluate the application of these guidelines. The meetings must be minuted and the minutes provided to the Board. The Committee held four scheduled meetings during 2019. Committee member attendance is shown in the table "Board composition and attendance during 2019."

#### Board composition and attendance in 2019

	Elected, year	Board and committee fees, SEK thousand	Board meetings	Remuneration Committee	Audit and Finance Committee
Eva Landén <sup>1</sup> , Chairman	2014	300	9/9	4/4	5/5
Jan Berg <sup>2</sup>	2009	39	3/3		2/2
Carin Götblad	2013	139	9/9	4/4	
Mikael Lundström	2013	139	9/9	4/4	
Pierre Olofsson <sup>3</sup>	2019	98	6/6		
Erik Tranaeus	2018		9/9	4/4	5/5
Maj-Charlotte Wallin	2016	159	9/9		5/5
Åsa Wirén <sup>4</sup>	2018	176	9/9		5/5
Masoomah Antonsson <sup>5</sup>	2013		2/3		
Tomas Edström <sup>6</sup>	2013		8/9		
Erik Ydreborg <sup>7</sup>	2016		9/9		
Kajsa Marsk Rives <sup>8</sup>	2019		6/6		
Roger Törngren <sup>9</sup>	2011		7/9		

- 1) Chairman of the Remuneration Committee
- 2) Stepped down from the Board at the 2019 General Meeting
- 3) Elected at the 2019 AGM
- 4) Chairman of the Audit and Finance Committee
- 5) Employee representative, stepped down from the Board at the 2019 General Meeting
- 6) Employee representative
- 7) Employee representative
- 8) Alternate employee representative, elected at the 2019 General Meeting
- 9) Alternate employee representative

One Board meeting was held per capsulam, in addition to the meetings given above.

### Remuneration of senior executives

Salaries and other benefits to personnel in company management positions must be reasonable and competitive. Remuneration must follow, not lead, current market trends. This is achieved through comparisons with other relevant companies. Remuneration must be characterised by moderation, prudence, be well balanced and contribute to good ethics and corporate culture, and reflect the responsibility the work entails. The company has no variable salaries or any forms of incentive programmes. The CEO has a defined-contribution pension plan. Pension terms for other senior executives follow an ITP (supplementary pension) plan; employees engaged after 2013 have a defined-contribution pension plan.

For information regarding salaries and remuneration, refer to Note 7, Consolidated Financial Statements.

During 2019, the company adhered to the employment condition guidelines for senior executives adopted by the general meeting of shareholders. The Board proposes that the company continues to follow these guidelines during 2020.

### Remuneration of the Board

Information regarding remuneration of Board members approved by the 2019 AGM is available in the annual report, Note 7, Consolidated Financial Statements.

### The Board's evaluation of its own work

The work of the Board is subject to annual evaluation. Work undertaken in 2019 was evaluated by means of an online questionnaire. The evaluation also includes a measurement of how effectively internal controls are perceived to function in the company. The results of the evaluation will be compiled, discussed and reported to Committees, the Board and the owner.

### CEO

The CEO must ensure that the Board receives reports concerning the progress of Specialfastigheter's operations in respect of such matters as the company's earnings trend, financial position and liquidity, information on the status of major projects, the efficiency of internal controls and important events. Reports must be structured in such a way

that the Board is able to make well-founded assessments. An instruction regarding the allocation of work between the Board and CEO, and which clarifies the distribution of responsibilities and reporting, is approved annually. The CEO does not serve as a Board member.

The most important policy guidelines that must be approved by the CEO include the company's strategies, operational goals, information security, risk management, delegation arrangements, continuity planning, law lists (information concerning the most important changes in legislation that affect the work environment, the environment and construction), Code of Conduct and Supplier Code of Conduct.

### Auditors

Auditors are elected by the owner at the AGM. The Board presents proposals for the election of auditors to the AGM based on a recommendation from the Board's Audit and Finance Committee. The proposals for the appointment of auditors are drafted in accordance with the rules contained in the EU Audit Regulation and Directive and are published in accordance with Code's guidelines.

Ernst & Young AB were elected as auditors at the 2019 AGM with Mikael Ikonen as auditor in charge. The election took place for the period up until the close of the 2020 AGM.

Presentation of auditor; refer to page 69.

The auditors elected by the AGM perform an annual review of the internal control. The auditors reported to the Board twice and to the Audit and Finance Committee on four occasions in 2019. In addition to the regular audit, Ernst & Young AB conducts annual examinations at our offices.

The review of Specialfastigheter's 2019 Sustainability Report was conducted by Ernst & Young AB. The report was assured by Authorised Public Accountant Mikael Ikonen and Marianne Förander, Expert Member of FAR. Moreover, the Group's Q2 interim report is subject to review by the company's auditor.

For information regarding auditors' fees, refer to Note 5, Consolidated Financial Statements.



Hinseberg Women's Prison in Frövi outside Örebro

Agenda items during the year

During 2019, the issues addressed by the Board included the following:

**February**

- Auditors’ report on internal control and the annual accounts
- Decision on annual accounts for 2018 including proposed dividend
- Decision to refrain from a Group contribution and a shareholder contribution
- Decision on investments
- Internal control plan 2019
- Follow-up of investment projects
- Adoption of guidelines for remuneration of senior executives
- Decision on the notice regarding the 2019 AGM for the 2018 financial year
- Board’s statement regarding the proposed dividend

**March**

- Decision on the 2018 Annual Report and Sustainability Report
- Preparation of rules of procedure for the Board and its committees, and CEO’s instruction
- Preparation of company-wide policies, supplier code of conduct and the Code of Conduct
- Decision on investments

**April**

- Adoption of the interim accounts and interim report
- Follow-up of investment projects
- Statutory Board meeting and adoption of the Board’s rules of procedure including the CEO’s instruction and instructions for financial reporting, rules of procedure for the Remuneration Committee, rules of procedure for the Audit and Finance Committee and approval of delegation arrangements.
- Adoption of company-wide policies, the Supplier Code of Conduct and the Code of Conduct
- Decision on investments

**December**

- Adoption of the 2020–2024 business plan and the 2020 budget
- Preliminary capital structure and dividend for 2020
- Auditors’ report, financial and sustainability
- Proposals for election of external auditors
- Decision on investments and sales
- Review of risks and risk management
- Evaluation of the Board, the CEO and internal control
- Decision on the need for independent internal audit
- Field trip to the SIS juvenile care home Folåsa

**October**

- Discussion on overall strategic goals
- Follow-up of investment projects
- Adoption of the interim accounts and interim report
- Decision on demolition of building

**September**

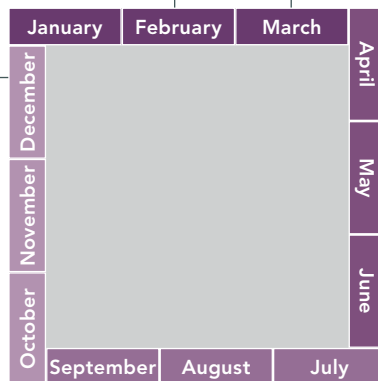
- Follow-up of the 2019–2023 business plan
- Reporting of personnel issues
- Follow-up of the internal control plan for 2019
- Adoption of the annual plans for committee and Board meetings in 2020
- Decision on investments

**June**

- Strategy discussion with a focus on sustainability

**July**

- Adoption of the interim accounts and interim report
- Decision on sales
- Auditors’ Q2 report



## Description of internal control and risk management regarding financial reporting



This description has been prepared in accordance with the Swedish Annual Accounts Act and the Code, and is therefore limited to how internal control over financial reporting is organised. The Board's statement regarding internal governance and control is based on the framework document COSO (The Committee of Sponsoring Organizations of the Treadway Commission). The framework's principles help the operations achieve financial objectives by systematically following up on the company's risk exposure. Additionally, the internal controls are to ensure that both internal and external financial reporting is reliable and prepared according to current legislation, accounting principles and other guidelines for state-owned companies.

Internal control is undertaken not just through regulations and instructions but also by staff at every level of the organisation. The internal control system for financial reporting seeks to provide reasonable assurance that the company's external reporting is complete and correct. Established overall visions, core values, strategies and objectives are documented and available for everyone at the company. The aim of the internal control is to, inter alia, limit the risks of irregularities occurring that would affect the view or assessment of the company's financial results and position, ability to meet set business objectives and/or the owner's expectations of the company. It is therefore important that internal control over financial reporting is adapted to the company's risk assessment. The Board considers Specialfastigheter to have well-structured accounting and financial management and good internal controls.

### Control environment

The basis for internal control over financial reporting is the control environment comprising the organisation, its culture, and decision paths, powers and responsibilities documented and communicated in policy documents such as company policies, guidelines and instructions. Internal controls are aimed at identifying, measuring and minimising risks in the operation. Specialfastigheter has clear processes for following up on internal control, where roles and responsibilities are defined and where key controls and reporting are clarified.

Rules of procedure between the Board and CEO provide a clear allocation of responsibilities. Responsibility for maintaining an effective control environment and the day-to-day internal control work and risk management is delegated to the CEO through the rules of procedure. The allocation of responsibility and delegation within the company

are further clarified in our delegation arrangements. Company-wide policies are approved by the Board and updated at least once a year. Internal guidelines and instructions are decided by the CEO, or the individual the CEO has delegated these powers to, and are updated on an ongoing basis. The work of the Board is evaluated annually according to a systematic, structured process.

During the year, the Audit and Finance Committee followed up and supervised the financial reporting and efficiency of the company's internal controls and risk management.

Our management system forms an important part of our control environment and aims to ensure we work in line with our assignment and our business model. Leading operations with the aid of a management system entails a systematic focus on customers (external and internal), a process-oriented approach and driving constant improvement efforts. Our system controls our working method through clear processes and policy documents that are linked to each process. Specialfastigheter's management system is certified for information security according to the ISO/IEC 27001:2013 standard. A periodic audit of the certification was conducted in May with only observations and improvement proposals noted.

Every year, a number of internal operational audits of the management system take place within internal control. These are not independent internal audits according to the Code, but audits that comply with ISO standards. Specialfastigheter has trained internal operations auditors among its employees, who audit our processes and policies to check how effectively these function and are complied with. The internal operations auditors also contribute to the dissemination of information about our management system and they form an important part of the learning organization and efforts for constant improvements. The internal operations audit aims to ensure compliance with legislation, regulations, internal rules and best practices. The Deputy CEO/CFO, Head of Finance, business controller, operations developer and internal controllers provide support for internal management and controls in business planning, financial calculations, analyses and follow-ups. The company's CIO provides support in terms of the IT system and availability as well as for control and security regarding the authorisation structures. The company has a whistle-blower function to enable attention to be drawn anonymously to irregularities.

### Risk assessment

Assessments regarding the risk of errors in the financial reporting are made by the Board, management, the units and the external auditors. A risk analysis seeks to identify processes where the risk of substantial errors in financial reporting is greatest. Specialfastigheter's risks are described on pages 45–49. Our risk analysis tool helps us systematically identify, analyse, evaluate and follow-up risks at every level on an ongoing basis. The risk analyses are reviewed and analysed in turn, and management assesses risks from a company perspective.

### Control activities

Activities that are drawn up based on the risk analysis aim to manage significant risks identified to eliminate and limit the occurrence or effects of said risks. The Board and management are informed about compliance with policy documents and processes, and the effectiveness of the control structures. The management system contains the processes that show how Specialfastigheter should proceed and the controls that must be performed. Specialfastigheter's documented allocation of responsibilities, decision-making and delegation arrangements permeate all of our processes. IT controls that support processes and influence internal controls are created in our computer systems.

In order to ensure financial reporting regarding the company's income and expenses follow internal guidelines and instructions, analyses and crosschecks are carried out by the internal auditors at various levels in the organisation, for example, in respect of deviations from approved plans and previous outcomes. During the year, we improved controls in our purchasing process. Control activities are also implemented in the processes specified in the internal control plan, with the objective of developing the processes and preventing, detecting and correcting any errors or deviations. Control activities are manual and automated in nature and include approval procedures, control audits, process compliance and results follow up.

### Information and communication

There is an established routine and structure for how company management is to communicate relevant information within the organisation and in what form. The Board regularly receives reports and financial information from the company. Specialfastigheter complies with the guidelines for external reporting described in the state's ownership policy. Reporting according to GRI Standards helps us clearly communicate our sustainability. The company's policy documents in the form of internal guidelines and instructions regarding financial reporting, are updated on an ongoing basis by process owners and management and made available and known to employees via our internal information and communications channels.

Specialfastigheter's management system and intranet contain information that enables rapid communication with all employees to inform them of new rules and guidelines regarding financial reporting. All of our staff bear responsibility for keeping up-to-date with rules and regulations and for complying with our guidelines.

### Monitoring and development

The operations' objectives and identified risks are monitored continuously and at different levels within the company. In the business plan and account closing processes, management regularly carries out reconciliations and follow-ups of operations. In order to ensure uniform financial reporting, there is an approved reporting structure.

The budget is approved annually by the Board, which receives financial reports and reconciliations from company management on a quarterly basis at a minimum in connection with interim reports. The company's external auditors report their observations from reviews and their assessment of internal controls to the Audit and Finance Committee and the Board at the scheduled autumn meeting, the final audit and as necessary. This takes place in the presence of company management or not, as the case may be.

Follow-ups of completed investment projects are presented to the Board on an ongoing basis during the year. The company's external auditors continually report the results of reviews performed, actions to be taken and the status of the latter to company management. Activities and action plans stemming from risk management are followed up on an ongoing basis. When necessary, Specialfastigheter engages external consultants to scrutinise and follow-up areas for the purpose of discovering opportunities for improvement, any discrepancies and/or irregularities. The results of audits, follow-ups and risk analyses carried out are reported to the CEO and company management.

### Internal audit

Specialfastigheter has no internal audit function independent from management as described under rule 7.3 of the Code. When audit requirements are identified by the Board, these are procured externally from independent auditors. The Board considers the follow-up reported by the CEO, internal controls and internal audits in the management system in accordance with this document combined with the review by the external auditors, to be sufficient to ensure that internal control over financial reporting is effective, and does not contain any significant errors. The internal business audit described in this report concerns only the audit of the company's management system based on the requirements of the standards the company adheres to.

# Board of Directors



**Eva Landén**

Chairman of the Board  
CEO of Corem Property Group AB  
Elected 2014

**Other board assignments**  
Board member of Klöver AB

**Previous experience**  
Authorised Public Accountant, PwC,  
CFO Bonnier Cityfastigheter,  
CFO Corem Property Group AB

**Education**  
M.Sc. Business and Economics,  
Uppsala University

**Born**  
1965



**Carin Götblad**

Regional Police Commissioner  
Elected 2013

**Other board assignments**  
Board member of Karolinska Institutet,  
Beridna Högvakten

**Previous experience**  
Police Commissioner, Stockholm County;  
Police Commissioner, Gotland County and  
Värmland; General Counsel, SIS; Chief clerk,  
district court; legal counsel, Swedish Agency  
for Youth and Civil Society, Swedish Psycho-  
logical Association; National Board of Health  
and Welfare coordinator against violence in  
close relationships

**Education**  
National Police Board Chief of Police pro-  
gramme, bachelor of laws, FBI, Preschool  
teacher programme

**Born**  
1956



**Mikael Lundström**

CEO Svefa AB  
Elected 2013

**Other board assignments**  
Board member of Elof Hansson Holding AB,  
AB Göta kanalbolag. Chairman of  
Värderingsdata AB

**Previous experience**  
CEO, Akademiska Hus AB,  
Deputy CEO, Jones Lang LaSalle AB,  
Head of Market Area, Skandia Fastigheter  
AB, Head of Administration, NCC Fastig-  
heter AB

**Education**  
Graduate in engineering, KTH Royal Institute  
of Technology

**Born**  
1961



**Pierre Olofsson**

Elected 2019

**Other board assignments**  
None

**Previous experience**  
Skanska's Group management, with respon-  
sibility for the Nordic construction units  
CEO Skanska Sverige AB

**Education**  
Graduate in engineering, Lund University  
Faculty of Engineering

**Born**  
1966



**Erik Tranaeus**

Investment Director, Government Offices  
of Sweden  
Elected 2018

**Other board assignments**  
Board member of Orio AB and SOS Alarm AB

**Previous experience**  
Positions in investment banking at Deutsche  
Bank, Citigroup and Danske Bank.

**Education**  
M.Sc. Business and Economics, SSE

**Born**  
1975



**Maj-Charlotte Wallin**

Own business  
Elected 2016

**Other board assignments**  
Board member of the Fourth Swedish  
National Pension Fund

**Previous experience**  
CEO of AFA Försäkring, Deputy CEO Alecta  
pensionsförsäkring, CEO Jones Lang LaSalle  
AMS AB, CEO Nordbanken Fastigheter  
AB, Adm. Manager Bredenberg & Co AB,  
Controller Nordbanken Finans AB

**Education**  
M.Sc. Business and Economics, SSE

**Born**  
1953





**Åsa Wirén**

CFO Bonnier Group  
Elected 2018

**Other board assignments**

Board member of Aspia AB, N Å Future AB and companies within the Bonnier Group

**Previous experience**

CFO of SkiStar AB, Partner and Authorised Public Accountant at KPMG

**Education**

M.Sc. Business and Economics, Uppsala University.

**Born**  
1968

Employee Representative



**Tomas Edström**

Employee Representative  
Appointed 2013

**Other board assignments**

Chairman, Central Sweden Volleyball Association, Manomet Rock AB

**Previous experience**

Head of Operations, AB Tierpsbyggen, Asset Manager, Sundsvall's municipality

**Education**

Mechanical engineer

**Born**  
1964

Employee Representative



**Erik Ydreborg**

Employee Representative  
Appointed 2016

**Other board assignments**

None

**Previous experience**

Industrial floor installer, building maintenance technician, service technician

**Education**

High School Engineer, four-year electrical power studies

**Born**  
1967

Employee Representative



**Kajsa Marsk Rives**

Alternate member for Employee Representative  
Appointed 2019

**Other board assignments**

Secretary at En Utsträckt Hand – Täby and Danderyd

**Previous experience**

Sustainability consultant at Goodpoint, Case handler at Sida, Program Officer at UNDP, Assistant Program Officer UNHCHR, Executive Assistant to the Chairperson, PRI (Penal Reform International).

**Education**

Degree of Master of Laws, Uppsala University

**Born**  
1974

Employee Representative



**Roger Törngren**

Alternate member for Employee Representative  
Appointed 2011

**Other board assignments**

None

**Previous experience**

Property Management Engineer, Specialfastigheter, Service Technician, Vasakronan, Project programmer, control systems, TASAB

**Education**

Control systems/operations technology, Qualified property management

**Born**  
1965

Auditor



**Mikael Ikonen**

Auditor in Charge,  
Ernst & Young AB

**Other significant audit assignments**

Hembla AB, Amasten AB, Hemsö AB, Slättö Förvaltning, Rikshem AB

**Born**  
1963

# Management



**Åsa Hedenberg**  
CEO

**Previous experience**

CEO, Huga Fastigheter AB; CEO, Uppsala hem AB; Market Area Manager AP Fastigheter; Head of Development Properties, SEB Asset Management; Property Manager, Hantverks- och Industribyggen; Property Manager, Skanska Fastigheter AB

**Board assignments**

Board member of Bonava AB, Envac AB

**Education**

Graduate in engineering, Surveyor, Royal Institute of Technology

**Born**

1961

**Employed since**

2014



**Masoomah Antonsson**  
CIO

**Other board assignments**

None

**Previous experience**

Consultant, Ibitec; Consultant, Invid; Consultant, Qurius

**Education**

Systems analyst, Örebro University

**Born**

1975

**Employed since**

2008



**Christina Burlin**  
HR Director

**Previous experience**

Personnel Director, Swedish Maritime Administration; Group Personnel Director, Östgöta Correspondenten; Personnel Director, SAAB Civil Aircraft

**Education**

Bachelor of Arts Study programme in personnel management, Lund University

**Born**

1962

**Employed since**

2012



**Göran Cumlin**  
Projects and Development Director

**Previous experience**

Property Manager, Sollentunahem; Technical Manager, Stockholm Student Housing (SSSB); Regional Manager, SWECO Project Management

**Board assignments**

Vice Chairman, SSSB

**Education**

Graduate in engineering, KTH Royal Institute of Technology

**Born**

1963

**Employed since**

2015



**Kristina Ferenius**  
Deputy CEO/CFO

**Previous experience**

Head of Finance, Huga Fastigheter AB; CFO Enaco AB; Business Controller Coor Service Management Sverige AB; CFO Skanska Guest Relocation AB; Head of Accounts, Swedish Enforcement Authority in Stockholm

**Education**

Master's degree in economics, Stockholm University

**Born**

1968

**Employed since**

2015



**Hanna Janson**  
Communication Director

**Previous experience**

Communications Manager Akademiska Hus AB region Stockholm; Pro tem Communications Director Akademiska Hus AB; Consultant, JKL AB Gothenburg and Stockholm

**Education**

M.Sc. Business and Economics, SSE

**Born**

1975

**Employed since**

2015



### Henrik Nyström

Head of Purchasing

#### Previous experience

Head of Purchasing, Partnertech AB; Strategic Purchasing, Ericsson; Strategic Purchasing, SAAB Aircraft

#### Education

Economics (upper secondary school)

#### Born

1963

#### Employed since

2007



### Michaela Sköld

Property Management Director

#### Previous experience

Head of management support Fortifikationsverket, Property manager Swedavia AB, Property manager Akademiska Hus AB, Trainee Uppsalahem AB

#### Education

Graduate in engineering, Surveyor, Royal Institute of Technology

#### Born

1980

#### Employed since

2019



### Cecilia Vestin

Business Director, appointed 1 April 2020\*

#### Previous experience

CEO Vestin & Partners, CEO Arcona Projektutveckling, Head of Customers and Business Relations Newsec, Property Management Director Vectura, Property Management Director Jernhusen, CEO Västerås Central AB

#### Board assignments

FastPartner AB, Exengo  
Installationskonsult AB

#### Education

Real Estate and Construction Technology, Royal Institute of Technology

#### Born

1977

#### Employed since

1 April 2020

\* Torbjörn Blücher, Business Director in 2019, stepped down in early 2020.

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## Consolidated income statement, SEK million

	Note	Full-year 2019	Full-year 2018
Rental income		2,054	1,956
Other income	2	207	182
<b>Income from property management</b>		<b>2,261</b>	<b>2,138</b>
Property expenses	3	-630	-564
<b>Net operating income</b>		<b>1,631</b>	<b>1,574</b>
Central administration	4, 5	-56	-54
Financial income	6	39	40
Financial expenses	6	-174	-150
<b>Profit from property management</b>	7	<b>1,440</b>	<b>1,410</b>
Realised gain on property sales	8	4	1
Change in value of investment properties, unrealised	9	746	1,404
Change in value of financial instruments, unrealised	6	-20	10
<b>EBT</b>		<b>2,170</b>	<b>2,825</b>
Tax	10	-453	-402
<b>Net profit for the year</b>		<b>1,717</b>	<b>2,423</b>
Of which attributable to the Parent Company's shareholder		1,717	2,423

## Consolidated statement of comprehensive income, SEK million

	Full-year 2019	Full-year 2018
Net profit for the year	1,717	2,423
Total other comprehensive income for the year, net after tax	-	-
<b>Total comprehensive income for the year</b>	<b>1,717</b>	<b>2,423</b>
Of which attributable to the Parent Company's shareholder	1,717	2,423

## Comments to the income statement

The income statement items below, as with the comparison amounts for the previous year, refer to the period from January to December.

### Income from property management totalled SEK 2,261 million (2,138).

Rental income increased to SEK 2,054 million (1,956) as a result of new leases. Other income rose to SEK 207 million (182), mainly due to an increase in revenue from modifications for customers and media.

### Property expenses, SEK 630 million (expense: 564)

Our property expenses increased SEK 66 million due to higher costs for modifications for customers, media, property tax, bidding costs and purchased operational services. Of these, approximately SEK 36 million pertain to modifications for customers, property tax and media invoiced to customers.

### Net operating income, SEK 1,631 million (1,574)

Altogether, the above resulted in a year-on-year increase in net operating income, mainly attributable to our increase in rental income. The surplus ratio was somewhat lower, 72.1% (73.6), as a result of the above changes in property expenses.

### Net financial expense, SEK 135 million (expense: 110)

Higher short-term interest rates, somewhat higher debt, a smaller share of short-term borrowing and bonds issued with longer tenors all led to increased financial expenses.

### Profit from property management, SEK 1,440 million (1,410)

The increase in profit from property management was mainly due to higher rental income of SEK 98 million. At the same time, property expenses and financial expenses increased according to the above comments.

### Changes in value, SEK 726 million (1,414)

Value changes in investment properties totalled SEK 746 million (1,404). Financial instruments decreased in value by SEK 20 million (decrease: 10). The derivatives' value changed due to changes in the long market interest rates and in prices for electricity futures.

### Tax expense, SEK 453 million (expense: 402)

Tax comprised actual tax paid of SEK 152 million (expense: 145) and a deferred tax expense of SEK 301 million (expense: 257).

### Net profit, SEK 1,717 million (2,423)

Earnings for the period were lower than the previous year, primarily due to a lower unrealised change in value for investment properties.

## Consolidated balance sheet, SEK million

	Note	2019	2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties	9	29,037	27,288
Right-of-use assets	11	32	-
Other property, plant and equipment	12	4	6
Derivatives	13, 20	51	32
Other financial investments	13	855	990
Other non-current receivables	14	3	6
<b>Total non-current assets</b>		<b>29,982</b>	<b>28,322</b>
<b>Current assets</b>			
Trade receivables		458	153
Derivatives	13	2	23
Other financial investments	13	302	-
Tax assets	10	-	1
Other receivables	14	50	23
Prepaid expenses and accrued income	15	19	24
Cash and cash equivalents	16	1	12
<b>Total current assets</b>		<b>832</b>	<b>236</b>
<b>Total assets</b>		<b>30,814</b>	<b>28,558</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		200	200
Other contributed capital		616	616
Retained earnings, including net profit for the year		11,275	10,113
<b>Total equity</b>		<b>12,091</b>	<b>10,929</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Green bonds	17, 20	1,246	1,244
Interest-bearing liability, right-of-use assets	17	32	-
Other non-current interest-bearing liabilities	17, 20	9,226	7,266
Derivatives		91	100
Deferred tax liabilities	10	3,548	3,247
<b>Total non-current liabilities</b>		<b>14,143</b>	<b>11,857</b>
<b>Current liabilities</b>			
Current interest-bearing liabilities	17, 20	3,645	4,891
Trade payables		213	169
Tax liability	10	5	-
Derivatives		2	0
Other liabilities	18	108	111
Accrued expenses and deferred income	19	607	601
<b>Total current liabilities</b>		<b>4,580</b>	<b>5,772</b>
<b>Total liabilities</b>		<b>18,723</b>	<b>17,629</b>
<b>Total equity and liabilities</b>		<b>30,814</b>	<b>28,558</b>

## Comments to the balance sheet

### Investments, SEK 1,029 million (824)

Group investments in property projects totalled SEK 1,029 million for the period, up SEK 205 million year-on-year.

### Acquisitions, SEK – million (58)

No properties were acquired during the period.

### Divestments, SEK 26 million (-)

The properties Trollhättan Olidan 3:17, 4:9, Värnamo Läkaren 4 and a portion of Östfora 1:38 were divested during the year.

### Fair value of investment properties, SEK 29,037 million (27,288)

The estimated values of Specialfastigheter's investment properties are determined by means of an internal valuation based on actual data in respect of rents and operating expenses. Information concerning cost of capital, required yield and current market rents has been cross-checked with external appraisers. With regard to reliable rental income, the estimated cost of capital over the contract period was mainly between 5.00% (5.00) and 5.25% (5.25). The required yield ranges mostly from 4.50% (4.65) to 9.00% (9.70) depending on property location. The property's value has primarily been impacted by investments and lowered yield requirements.

Demand for our properties is good. During the second half of the year, several transactions were completed that support the lower assessed yield of certain properties in the portfolio. The assessed yield has therefore been adjusted on these properties. Based on internal valuation, the fair value of the investment properties at the end of the period amounted to SEK 29,037 million. The unrealised changes in value recognised for the period amounted to SEK 746 million. The equivalent figure for last year was SEK 1,404 million.

Changes in the value of investment properties, SEK million	2019	2018
Opening balance, market value, 31 December	27,288	25,002
+ Investments incl. capitalised interest expenses	1,029	824
+ Acquisitions	-	58
- Sales	-26	-
+ Unrealised change in value	746	1,404
<b>Closing balance, market value, 31 December</b>	<b>29,037</b>	<b>27,288</b>
Unrealised changes in value	746	1,404
of which, change in cost of capital and yield	1,009	1,033
of which other changes in net operating income	-263	371

### Other financial investments, SEK 855 million (990)

Other financial investments of SEK 855 million comprised covered bonds of SEK 819 million (926) and cash deposits pursuant to CSAs of SEK 36 million (64). The total investment in covered bonds was SEK 819 million (926), of which SEK 302 million (-) is short term and recognised in the item Other financial investments. For further information, see Note 17 to the consolidated financial statements.

### Interest-bearing liabilities, SEK 14,149 million (13,401)

Interest-bearing liabilities includes SEK 32 million pertaining to lease liabilities according to IFRS 16. A corresponding amount is also recognised on the asset side under Right-of-use assets.

## Consolidated changes in equity, SEK million

Attributable to the Parent Company's shareholder

<b>2019</b>	<b>Share capital</b>	<b>Other contributed capital</b>	<b>Retained earnings</b>	<b>Total equity</b>
Opening balance, 1 January 2019	200	616	10,113	10,929
<b>Comprehensive income</b>				
Net profit for the year	-	-	1,717	1,717
Other comprehensive income	-	-	-	-
<b>Total</b>	<b>200</b>	<b>616</b>	<b>11,830</b>	<b>12,646</b>
<b>Transactions with the shareholder</b>				
Dividend	-	-	-555	-555
<b>Total transactions with the shareholder</b>	<b>-</b>	<b>-</b>	<b>-555</b>	<b>-555</b>
<b>Closing balance, 31 December 2019</b>	<b>200</b>	<b>616</b>	<b>11,275</b>	<b>12,091</b>

<b>2018</b>	<b>Share capital</b>	<b>Other contributed capital</b>	<b>Retained earnings</b>	<b>Total equity</b>
Opening balance, 1 January 2018	200	616	8,250	9,066
<b>Comprehensive income</b>				
Net profit for the year	-	-	2,423	2,423
Other comprehensive income	-	-	-	-
<b>Total</b>	<b>200</b>	<b>616</b>	<b>10,673</b>	<b>11,489</b>
<b>Transactions with the shareholder</b>				
Dividend	-	-	-560	-560
<b>Total transactions with the shareholder</b>	<b>-</b>	<b>-</b>	<b>-560</b>	<b>-560</b>
<b>Closing balance, 31 December 2018</b>	<b>200</b>	<b>616</b>	<b>10,113</b>	<b>10,929</b>



## Equity

### Capital management

The Board's financial objective for the Group is to maintain a sound capital structure and financial stability, to thereby retain the capital market's confidence and form the basis for continued development of business operations. The target equity/assets ratio is 25–35% and strategic planning includes adaptation to meet this target. The Board aims to preserve a balance between high returns and the advantages offered by a high level of equity. The Group's profitability target is for net profit, after including changes in value and associated deferred tax, to correspond to 8% of average equity. Profitability is a variable target whose level is adjusted depending on the composition of the property portfolio.

The adjusted return on equity for 2019 was 9.9% (13.0). From 2016, we have changed the calculation of Return on equity and Adjusted return on equity to now include net profit for the period in average equity. We have also restated these key performance indicators retroactively. Over the last five-year period, Specialfastigheter's adjusted return on equity averaged 12.3%, which well exceeds the Group's target of 8.0%.

Specialfastigheter's dividend policy is to distribute 50% of net profit for the year after adding changes in value and associated deferred tax. The annual resolution on the dividend must also take into account the Group's future investment needs and financial circumstances. Over the last five years, the dividend has averaged 5.8% (7.0) of equity. The Group will pay an extraordinary dividend when the capital structure and financial needs of the business so allow. No change took place in the Group's capital management during the year. Neither the Parent Company nor any of its subsidiaries is subject to external capital requirements.

### Share capital

The share capital is divided into 2,000,000 shares with a quotient value of SEK 100 and with one (1) vote per share, which applies to both the opening and closing number of shares in the above reporting periods.

### Appropriation of profits

The Board proposes that the 2019 Annual General Meeting of Specialfastigheter Sverige AB resolve in favour of distributing a dividend of SEK 570 million, or around SEK 285.00 per share, to the owner. The proposed dividend constitutes 54.2% of the company's equity and 4.7% of the Group's equity and is in line with financial dividend target stipulations. Refer also to Note 11 for the Parent Company.

The company's holdings of financial instruments were measured at fair value in accordance with Chapter 4 Section 14a of the Annual Accounts Act. This entailed an increase in equity of SEK 5 million excluding deferred tax, which represented approximately 0.5% of the Parent Company's equity excluding deferred tax. The proposed dividend to the shareholder reduces the Parent Company's equity/assets ratio from 12.5% to 9.7%, and the Group's equity/assets ratio from 39.2% to 38.1%. Group operations are run with stable, healthy profitability, and income is hedged in the long term through long lease agreements. In the Board's assessment, after distribution of the proposed dividend, the company will continue to have adequate financial capacity to meet the requirements placed on the Group's and the Parent Company's equity by the nature, scope, investment requirements and risks of the business.

The proposal is therefore justifiable given the consolidation needs, liquidity and other circumstances of the Group and Parent Company. This means, inter alia, that the proposal does not hinder the company and its subsidiaries from meeting their obligations in the short and long terms.

## Consolidated cash-flow statement, SEK million

	Full-year 2019	Full-year 2018
<b>Operating activities</b>		
Net operating income	1,631	1,574
Central administration	-56	-54
Net financial expense	-135	-110
Reversal, change in prices	12	-3
Reversal of depreciation	7	3
Income tax paid	-144	-175
<b>Cash flow from operating activities before changes in working capital</b>	<b>1,315</b>	<b>1,235</b>
<b>Change in working capital</b>		
Change in receivables	-323	-8
Change in other current liabilities	47	51
<b>Total change in working capital</b>	<b>-276</b>	<b>43</b>
<b>Cash flow from operating activities</b>	<b>1,039</b>	<b>1,278</b>
<b>Investing activities</b>		
Acquisition of investment properties	-	-58
Investment in investment properties	-1,029	-824
Investment in right-of-use assets	-35	-
Disposal of investment properties	26	1
Acquisition of property, plant and equipment	-1	-2
Disposal of property, plant and equipment	0	0
<b>Cash flow from investing activities</b>	<b>-1,039</b>	<b>-883</b>
<b>Financing activities</b>		
Investment, covered bonds	-206	116
Borrowings	18,201	16,782
Repayments of borrowings	-17,451	-17,186
Dividend paid to Parent Company's shareholder	-555	-560
<b>Cash flow from financing activities</b>	<b>-11</b>	<b>-848</b>
<b>Cash flow for the year</b>	<b>-11</b>	<b>-453</b>
Opening cash and cash equivalents	12	465
<b>Closing cash and cash equivalents</b>	<b>1</b>	<b>12</b>
<b>Interest</b>		
Interest received	13	4
Interest paid	121	100

### Cash flow

Group cash flow from operating activities before investments totalled SEK 1,039 million (1,278) during the period. Net investments in non-current assets amounted to a cash outflow of SEK 1,039 million (outflow: 883), which generated a positive cash flow after investments of SEK 0 million (395). A cash outflow of SEK 555 million (outflow: 560) was used for dividends, and investments in covered bonds amounted to an outflow of SEK 206 million (inflow: 116). Borrowings after repayments totalled an inflow of SEK 750 million (outflow: 404). The item, Investment, covered bonds, pertained solely to the investment of cash and cash equivalents and is part of long-term investments, where the company has chosen to retain liquidity instead of repaying borrowings.

## Consolidated five-year summary

The financial progress of the Group in summary. For definitions of key performance indicators, see page 116.

	2019	2018	2017	2016	2015
<b>Property related</b>					
Income from property management, SEK million	2,261	2,138	2,028	1,912	1,867
Profit from property management, SEK million	1,440	1,410	1,367	1,269	1,108
Occupancy rate, %	98.5	99.0	99.0	98.6	98.7
Investments including property acquisitions, SEK million	1,029	882	1,398	1,288	419
Market value, investment properties, SEK million	29,037	27,288	25,002	22,999	20,919
Floor space, sq m, thousand	1,090	1,094	1,079	1,088	1,058
Yield, %	5.8	6.0	6.2	6.5	6.8
Total assets, SEK million	30,414	28,558	26,842	24,372	22,012
Equity, SEK million	12,091	10,929	9,066	7,844	6,652
<b>Property management related</b>					
Rental income, SEK/sq m	1,882	1,793	1,700	1,644	1,618
Property operations, SEK/sq m <sup>1</sup>	349	315	300	271	288
Maintenance expenses, SEK/sq m <sup>1,2</sup>	284	268	266	265	207
Net operating income, SEK/sq m	1,495	1,443	1,377	1,324	1,322
Administrative expenses, SEK/sq m	51	49	50	57	62
<b>Finance related</b>					
EBT, SEK million	2,170	2,825	2,165	2,100	1,474
Net profit for the year, SEK million	1,717	2,423	1,719	1,638	1,178
Cash flow before investments, SEK million	1,039	1,278	1,310	1,317	844
Surplus ratio, %	72.1	73.6	73.7	73.7	75.0
Interest coverage ratio, cash-flow based <sup>3,5</sup>	11.0	13.0	11.1	8.7	6.6
Return on equity, % <sup>4</sup>	14.9	24.2	20.3	22.6	15.6
Adjusted return on equity, % <sup>4,5</sup>	9.9	13.0	12.8	13.7	11.8
Return on total capital, % <sup>3</sup>	6.4	10.8	9.3	10.1	8.1
Loan-to-value ratio, %	45.9	45.7	53.3	55.9	57.8
Equity/assets ratio, %	39.2	38.3	33.8	32.2	30.2
Dividend, SEK million	570	555	560	497	446

1) For the 2015–2016 period, the cost of property managers was included in maintenance expenses. This item was moved to Property operations in 2017. We have restated the years from 2015–2016, so that the cost is included in Property operations for all years, thus enabling a fair comparison.

2) Of which capitalised: SEK 139/sq m for 2015, SEK 177/sq m for 2016, SEK 195/sq m for 2017, SEK 185/sq m for 2018 and SEK 204/sq m for 2019.

3) From 2017, we have changed the calculation of the Interest coverage ratio and Return on total capital. We have also restated these key performance indicators retroactively.

4) From 2016, we have changed the calculation of Return on equity and Adjusted return on equity to now include net profit for the period in average equity. We have also restated these key performance indicators retroactively.

5) These key performance indicators have been restated pursuant to a new policy from 2018 pertaining to currency derivatives.

For definitions of key performance indicators, see page 116.

## Note 1 Group accounting policies

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and the interpretations of the IFRS Interpretations Committee (IFRIC), as adopted by the EU. Moreover, the Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Corporate Groups, has been applied.

The Group's seven limited companies are registered in Linköping (Sweden). The Parent Company is called Specialfastigheter Sverige AB (556537-5945). Specialfastigheter has a joint head office with offices located at the following visiting addresses: Borggården, SE-581 07 Linköping and Torsgatan 21, SE-102 32 Stockholm. The Group's subsidiaries own and manage real property, manage construction projects, own and manage movable property and pursue related business activities. Refer also to Note 15 for the Parent Company.

### Valuation principles applied in the preparation of the Parent Company's and the Group's financial statements

Assets and liabilities are recognised at cost, other than investment properties and derivatives, which are measured at fair value.

Non-current assets held for sale are recognised at the lower of the carrying amount and the fair value less selling expenses.

### Functional currency and presentation currency

The Parent Company's functional currency is Swedish kronor (SEK), which is also the presentation currency of the Parent Company and the Group. This means that the financial statements are presented in SEK. Specialfastigheter Sverige AB only operates on the Swedish market. All sums, unless otherwise stated, are rounded to the nearest million kronor.

### Estimations and assessments in the financial statements

Preparing the financial statements in accordance with IFRS requires the management to make estimations and assessments which influence the application of accounting policies and the recognised amounts of assets, liabilities, income and expenses. Actual outcomes may differ from these estimations and assessments.

The estimations and assessments are reviewed regularly. Changes to estimates are recognised in the period in which the change occurs if the change has only affected this period, or in the period in which the change is made and future periods if the change impacts both the current and future periods.

Assessments made by the company management in applying the IFRS that have a significant effect on the financial statements and estimates made, which may result in material adjustments in subsequent years' financial statements, are described in more detail in notes 9, 17 and 20 to the consolidated financial statements.

An assessment must be made of each acquisition to classify whether it is a business combination or an asset acquisition. A business combination comprises resources and assets that can result in production. On the acquisition of a company, the method of accounting to be used for the acquisition is assessed using criteria including the following: the presence of employees, the company's assets and the complexity of internal processes. Moreover, the assessment also takes into consideration the number of operations and the existence of agreements with various degrees of complexity. Acquisitions with high fulfilment of these criteria are classified as business combinations and acquisitions with low fulfilment are classified as asset acquisitions.

When acquisitions of subsidiaries entail the acquisition of non-business combination assets, the cost of these assets and liabilities is allocated according to their relative fair values at the acquisition date. However, if the assessment resulted in classification as a business combination, this would have entailed a higher value for the initial property value recognised and a higher deferred tax liability and, in all likelihood, a higher goodwill amount.

### Accounting policies applied

The accounting policies specified below, with exceptions described in more detail, have been consistently applied to all periods presented in the consolidated financial statements. The Group's accounting policies have been consistently applied in the reporting and consolidation of the Parent Company and subsidiaries.

### Changes in accounting policies

New standards and interpretations that entered force in 2019 have not had any impact on the financial statements other than certain supplementary disclosures.

### IFRS 16 Leases

From 1 January 2019, IFRS 16 replaces IAS 17 and was applied for the first time in the interim report for the period from January to March. The new standard entails increased disclosure requirements but has extremely limited impact on the financial statements. The Group has chosen to apply the simplified transition method and is not applying the standard retroactively.

Specialfastigheter is the lessee for a limited number of leasehold agreements, property leases, service vehicles and company cars that are defined as lease contracts under IFRS 16. Lease payments and ground rents are recognised in the income statement repayments and interest expenses. Recognised lease liabilities and right-of-use assets at 1 January 2019 amounted to SEK 27 million. Expensed short-term leases or leases of low value were less than SEK 2 million. The new regulation increased repayments and interest expenses SEK 8 million each and reduced operating expenses by the corresponding amount. Ground rents are recognised in their entirety as a financial expense. The transition to IFRS 16 had no effect on Specialfastigheter as a lessor.

Amendments to the IFRS and interpretations not yet adopted (IFRIC) are not expected to have any significant impact on the financial statements.

### Classifications, etc.

Non-current assets and non-current liabilities in the Parent Company and the Group consist essentially of the amounts expected to be recovered or paid after more than twelve months from the balance-sheet date. Current assets and current liabilities in the Parent Company and the Group consist essentially of the amounts expected to be recovered or paid within twelve months of the balance-sheet date.

### Consolidation principles

#### Subsidiaries

An investor has controlling influence over the investment object when the investor is exposed to or is entitled to variable returns from its holding in the investment object, and when it can influence these returns through exercising its controlling influence over the investment object.

Subsidiaries are reported in accordance with the acquisition method. Under this method, an acquisition is regarded as a transaction whereby the Group indirectly acquires the subsidiary's assets and assumes its liabilities and contingent liabilities. The cost to the Group is determined through an acquisition analysis at the time of the acquisition. In this analysis, the cost of the business combination is established, as are the fair values on the acquisition date of acquired identifiable assets as well as assumed liabilities and contingent liabilities. The cost of the subsidiary's shares consist of the fair values at the acquisition date for the assets acquired, assumed or acquired liabilities, and transaction costs directly attributable to the acquisition. Transaction costs are expensed in the Group. Consolidations of subsidiaries' financial statements are entered in the consolidated financial statements from the date of the acquisition until the date when controlling influence ceases.

### Transactions eliminated on consolidation

Intra-Group receivables and liabilities, income or expenses, and unrealised gains or losses arising from intra-Group transactions are eliminated in the preparation of the consolidated financial statements.

**Income**

**IFRS 15 Revenue from Contracts with Customers**

Specialfastigheter's leases only comprise rental payments, which are not encompassed by IFRS 15 and instead come under IAS 17, and from 2019, IFRS 16. Remuneration for the company's undertakings pursuant to leases, such as supplying premises with heating, cooling, snow clearance and garbage collection, for example, are included in the rent. Tenants cannot influence the choice of supplier or frequency, or have any other impact on the supplier, in the properties owned by the company. Moreover, some of these undertakings fall under a general responsibility for the property. Accordingly, the introduction of the standard has no material impact on the financial statements.

**Revenue recognition**

Advance invoices generate rental income and car-parking income, which are therefore allocated to periods so that only the rent for the respective period is recognised as income. Revenue is usually recognised on a straight-line basis over the term of the lease, apart from in exceptional cases where a different method better reflects how financial benefits accrue to the Group. Interest income is recognised as revenue spread over the term by the application of the effective-interest method. Dividend income is recognised when the right to receive payment has been established.

The proportion of our rental income that is attributable to the state is 99.6% (99.5), where the Swedish Prison and Probation Service accounts for the major portion.

**Income from property sales**

Income from property sales is normally recognised on the contract date unless the risks and benefits were transferred to the purchaser on an earlier occasion. Control of the asset may have been transferred prior to the occupancy date and, if so, the property sale is recognised as income at this earlier date. Agreements between the parties with respect to the risks, benefits and involvement in day-to-day administration are taken into account when estimating the timing of revenue recognition. Moreover, any circumstances that may affect the outcome of the transaction and which are beyond the control of the seller and/or purchaser are also taken into consideration.

**Financial income and expenses**

**Financial income and expenses**

Financial income and expenses comprise interest income from bank funds, investments, receivables, interest expense on loans, translation of currency loans and unrealised and realised gains and losses on derivatives used in financial operations.

Interest income on receivables and interest expenses on liabilities are calculated using the effective-interest method. Effective interest is the rate of interest which makes the current value of all estimated future inflows and outflows during the expected fixed-interest period equal to the carrying amount of the asset or liability. Interest income from purchased covered bonds is recognised in the period during which interest is paid.

Interest income and interest expenses include accrued amounts for transaction expenses and differences between the initial carrying amount of the receivable or liability and the amount settled on maturity.

Borrowing costs are charged against earnings in the period to which they relate except to the extent that they are included in the cost of an asset. An asset for which interest can be included in the cost is, by necessity, an asset that takes significant time to complete for its intended use or sale.

**Taxes**

Income taxes comprise current tax and deferred tax. Current tax is tax to be paid or received for the current year, with the application of the tax rates that are adopted or established in practice as of the balance-sheet date, which also includes adjustment of current tax attributable to previous periods. Income tax is recognised in profit or loss except

when the underlying transaction is recognised directly in equity and where the associated tax effect is recognised in equity. Deferred tax is calculated using the balance-sheet method based on temporary differences between the carrying amounts and fiscal values of assets and liabilities. The IFRS 3 rule on the classification of acquisitions as business combinations or asset acquisitions is based on making a separate assessment for each individual transaction. On the acquisition of a business, the method of accounting to be used for the acquisition is assessed using the following criteria: the presence of employees and the complexity of internal processes. Moreover, the assessment also takes into consideration the number of operations and the existence of agreements with various degrees of complexity. Acquisitions with high fulfilment of these criteria are classified as business combinations and acquisitions with low fulfilment are classified as asset acquisitions. Temporary differences in assets and liabilities that, at the transaction date, do not affect recognised or taxable profit are not recognised for asset acquisitions. No corporate acquisitions were made in 2019. Any corporate acquisitions made are classified as asset acquisitions. Those properties that are acquired as company transactions are assessed as clear asset acquisitions. Furthermore, temporary differences attributable to participations in subsidiaries that are not expected to be reversed in the foreseeable future are not taken into account. When acquisitions of subsidiaries entail the acquisition of non-business combination assets, the cost of these assets and liabilities is allocated according to their relative fair values at the acquisition date. The valuation of deferred tax is based on how the carrying amounts of assets or liabilities are expected to be realised or settled.

Deferred tax is calculated in accordance with the tax rates and tax rules that were adopted or established in practice as of the balance-sheet date. Deferred tax assets concerning deductible temporary differences are only recognised to the extent that it is likely that these will be used. The value of deferred tax assets is reduced when it is no longer considered likely that they can be used.

Other disclosures pertaining to deferred tax are available in Note 10 to the consolidated financial statements.

**Investment properties**

Investment properties are properties held with the objective of generating rental income and/or value growth. Investment properties are initially recognised at cost, which includes all expenses directly attributable to the acquisition. Investment properties are recognised on the balance sheet at fair value.

For further information, see Note 10 to the consolidated financial statements.

**Property, plant and equipment**

Property, plant and equipment are recognised in the consolidated financial statements at cost less accumulated depreciation. Cost includes the purchase price and expenses directly attributable to an asset in order to bring it to the location and condition necessary for it to be utilised in line with the aim of the acquisition.

The carrying amount of property, plant and equipment is removed from the balance sheet on the asset's disposal or sale, or when no future economic benefits are expected from the use, disposal or sale of the asset. Profit or loss that arises on the sale or disposal of an asset comprises the difference between the sale price and the carrying amount of the asset less direct selling expenses. Profit and loss are recognised under other operating income/expense.

**Leased assets**

Specialfastigheter has a limited number of leases that from 2019 are classified as right-of-use assets according to IFRS 16. The standard is not applied retroactively. Short-term leases or leases of low value are expensed on a straight-line basis over the term of the lease.

For further information, see Note 11 to the consolidated financial statements.

**Depreciation principles**

Depreciation is calculated on a straight-line basis over an asset's estimated useful life.

**Estimated useful lives, plant and equipment**

The depreciation methods applied and the assets' residual values and useful lives are reviewed at the end of each year.

**Impairment losses**

The carrying amounts of Group assets are reviewed at each balance-sheet date to assess whether any indication exists of an impairment loss. IAS 36 is applied for testing the need for impairment for assets other than financial assets (which are tested in accordance with IFRS 9), assets held for sale, disposal groups recognised in accordance with IFRS 5, investment properties recognised at fair value in accordance with IAS 40 and deferred tax assets. For assets excepted under the above, carrying amounts are tested in accordance with the standard concerned.

**Reversal of impairments**

An impairment is reversed if there is both an indication that the impairment loss no longer exists and if a change has taken place in the assumptions on which the calculation of the recoverable amount was based. However, impairment of goodwill is never reversed. A reversal is only made to the extent that the recognised value of the asset after reversal does not exceed the carrying amount that would have been recognised, less amortisation or depreciation where applicable, had no impairment been made.

**Impairment testing of property, plant and equipment**

When an impairment loss is indicated, the asset's recoverable amount is calculated in accordance with IAS 36 (see below). If an essentially independent cash flow cannot be established for an individual asset, assets are grouped at the lowest level possible for identification of an essentially independent cash flow (a cash-generating unit) for the assessment of any impairment need. An impairment loss is recognised when the carrying amount of an asset or cash-generating unit (CGU) exceeds the recoverable amount. Impairment losses are recognised in profit or loss. Impairment of assets attributable to a CGU is allocated in the first instance to goodwill. Proportional impairments are then made of other assets included in the CGU.

The recoverable amount is the higher of fair value less selling expenses and value in use. When calculating value in use, future cash flows are discounted by a factor that takes into account the risk-free interest rate and the risk associated with the specific asset.

**Financial instruments**

Debt instruments: the classification of financial assets that comprise debt instruments is based on the Group's business model for managing the asset and the character and nature of the asset's contractual cash flows.

The instrument is classified at:

- amortised cost
- fair value through other comprehensive income (FVTOCI), or
- fair value through profit or loss (FVTPL)

Financial assets classified at amortised cost are measured initially at fair value plus transaction costs. Trade receivables and lease receivables are measured initially at the invoiced amount. Following initial recognition, the assets are measured using the effective-interest method. Assets classified at amortised cost are held under the business model to collect contractual cash flows that solely encompass payments of the principal and interest on the principal outstanding. The assets are encompassed by an loss allowance for expected credit losses.

FVTPL is applied to debt instruments that are not measured at amortised cost. Financial instruments in this category are initially measured at fair value with changes in value recognised in profit or loss.

The Group's debt instruments are classified at amortised cost, with the exception of covered bonds, which are classified at FVTPL.

Equity instruments: classified at FVTPL with the exception of those that are not held for trading, since an irrevocable choice can be made to measure these at FVTOCI with no consequent reclassification to profit or loss. The Group classifies equity instruments at FVTPL. Derivatives: classified at FVTPL. The Group does not apply hedge accounting.

Fair value is established as described in Note 19.

**Classification and valuation of financial liabilities**

Financial liabilities are classified at amortised cost, with the exception of derivatives. Financial liabilities classified at amortised cost are measured initially at fair value including transaction costs. Following initial recognition, these are measured at amortised cost using the effective-interest method.

Derivatives are classified at FVTPL. The Group does not apply hedge accounting.

Fair value is established as described in Note 20.

**Other financial liabilities**

**Loan financing**

All loan financing is initially recognised at cost, net after transaction expenses. Borrowing is then recognised at amortised cost and any difference between the amount received and the repayment amount is recognised in net financial items over the loan term by application of the effective-interest method. Borrowing in foreign currency is translated to SEK at the balance-sheet date exchange rate and the effects recognised in net financial items.

The Group capitalises interest expenses attributable to investment properties under construction. Capitalised interest expenses impact net financial items positively and changes in market value negatively by a corresponding amount. Interest expenses are capitalised monthly at an interest rate equivalent to the average six-month Stibor plus a surcharge.

**Impairment of financial assets**

The Group's financial assets, with the exception of those classified at FVTPL or equity instruments at FVTOCI, are subject to impairment for expected credit losses (ECLs). Under IFRS 9, the impairment of ECLs adopts a forward-looking approach and a loss allowance is for exposures to credit risk, normally on initial recognition. ECLs reflect the present value of all shortfalls in cash flow attributable to default, either over the next 12 months (12 month ECL) or for the entire remaining life of the financial instrument (lifetime ECL), depending on the type of asset and any impairment of the credit following initial recognition. The ECL reflects an objective, probability-based outcome that takes into consideration a number of scenarios based on reasonable and verifiable projections.

The simplified approach is applied for trade receivables, contract assets and lease receivables. A loss allowance is recognised under the simplified approach for the remaining term of the receivable or asset.

For other items encompassed by ECLs, a three-stage impairment model is applied. Initially, and at each balance-sheet date, a loss allowance is recognised for the forthcoming 12 months, or alternatively for a shorter time period depending on the remaining duration (Stage 1). If there has been a significant increase in credit risk com-

pared with initial recognition, a loss allowance is recognised for the remaining term of the asset (Stage 2). For any assets assessed as credit impaired, a loss allowance continues to be made for ECLs for the remaining term (Stage 3). For credit-impaired assets and receivables, the calculation of interest income is based on the asset's carrying amount, net of the loss allowance, as opposed to the gross amount used in the earlier stages.

The measurement of ECLs is based on and written down pursuant to a rating-based method through external credit ratings. ECLs are measured as the product of the probability of default, loss given default and the exposure at default. For credit-impaired assets and receivables, individual assessments take into consideration historical, current and forward-looking data. The measurement of ECLs takes into consideration any collateral posted or other credit enhancements in the form of guarantees.

The financial assets are recognised in the balance sheet at amortised cost, that is the net of the gross value and the loss allowance. Any changes in the loss allowance are recognised in profit or loss.

### Cash and cash equivalents

Cash and cash equivalents consist of cash and immediately accessible balances at banks and equivalent institutions, and short-term investments of liquidity with tenors of less than three months from the acquisition date. Cash and cash equivalents are encompassed by the loss allowance requirement for expected credit losses.

### Derivatives

The Group's derivative instruments were acquired to hedge the interest-rate and currency risks to which the Group is exposed. Derivatives are initially recognised at cost on the transaction date, which means that transaction expenses are charged against earnings for the period. After the initial recognition, derivatives are measured at fair value and changes in value are recognised as described below. Hedge accounting is not applied by the Group.

#### Derivatives measured at fair value

Interest-rate derivatives comprise a financial asset or liability measured at fair value with changes in value recognised in profit or loss. Using interest-rate derivatives may give rise to changes in value due to changes in the market interest rate and the time factor. Interest-rate derivatives are initially recognised at cost in the balance sheet, and are subsequently measured at fair value together with changes in value in profit or loss.

Exchange rates are hedged with the aid of currency derivatives (currency swaps combined with interest-rate swaps). Derivatives are measured at fair value at the balance-sheet date's exchange rate and interest rate, and meet the currency effects from the translation of the loans at the balance-sheet date's exchange rate.

Closing-date market prices and generally accepted calculation methods are used to determine the fair value of interest-rate and currency derivatives, which means that fair value is established according to levels 1 and 2. Currency translation to Swedish kronor is at the rates of exchange quoted on the closing date. Interest-rate swaps are measured by discounting future cash flows to their present value. When financing in foreign currency, all future payment flows are hedged so that no currency risk remains.

Derivative instruments are used to hedge forecast electricity expenses and the derivatives are recognised at fair value in profit or loss. The fair value of electricity derivatives is based on balance-sheet date market values, according to Level 1, as provided by electricity suppliers that purchase electricity derivatives from Nord Pool. Electricity derivatives are raised to hedge electricity prices. Special-fastigheter passes on the major part of electricity expenses by invoicing tenants.

### Remuneration to employees

#### Pension plans

All personnel are employed in the Parent Company. The pension plans principally comprise retirement pensions, disability pensions and family pensions in the form of alternative ITPs (Supplementary Pensions for Salaried Employees). Retirement pension commitments for salaried employees are secured through insurance with Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 10, this comprises a multi-employer defined-benefit plan. Since the company has not had access to information which would have made it possible to report the pension plan as a defined-benefit plan, it has also been reported as a defined-contribution plan. Commitments regarding contributions to defined-contribution plans are recognised as expenses in profit or loss as they arise.

#### Short-term employee benefits

Short-term employee benefits are calculated on an undiscounted basis and recognised as an expense when the related services are received.

### Contingent liabilities

A contingent liability is recognised when there is a possible obligation that arises from past events and whose existence is confirmed only by the occurrence of one or more uncertain future events or when there is an obligation that is not recognised as a liability or provision because it is not likely that an outflow of resources will be required.

### Cash-flow statement

The cash-flow statement was prepared using the indirect method. The recognised cash flow includes only those transactions that entail inflows and outflows. Balances at banks are classified as cash and cash equivalents.

### Rounding

Amounts in this annual report are expressed in SEK million without decimal places. Where amounts are less than SEK 1 million and rounded down, this is represented by a zero (0). In cases where the outcome is actually zero, this is represented by a dash.

## Note 2 Other income

	2019	2018
Invoiced energy and fuel expenses	81	76
Invoiced services	124	100
Compensation received	0	5
Other	2	1
<b>Total</b>	<b>207</b>	<b>182</b>

Refer to Note 1, IFRS 15 Revenue from Contracts with Customers

## Note 3 Property expenses

	2019	2018
Energy, fuel and water	157	151
Property operations	337	281
Property tax	49	41
Maintenance	87	91
<b>Total</b>	<b>630</b>	<b>564</b>

## Note 4 Central administration

	2019	2018
Payroll and other expenses	49	52
Depreciation of plant and equipment	7	2
<b>Total</b>	<b>56</b>	<b>54</b>

Refer to Note 7 to the consolidated financial statements, to see the total payroll expenses. Unallocated administrative expenses are reported in this note.

## Note 5 Auditors' fees, SEK thousand

	2019	2018
<b>Ernst &amp; Young</b>		
Audit assignment	600	600
Audit activities other than the audit assignment	65	56
Tax advice	-	122
Other services	-	-
<b>Total</b>	<b>665</b>	<b>778</b>

The audit assignment refers to the examination of the annual report, the accounting records and the administration by the Board and CEO. This also includes a fee for audit advice provided in connection with the audit assignment. Audit activities refers to the examination of the administration or of financial information arising from statutes, the Articles of Association, regulations or agreements that result in a report or other document also intended to form the basis for an assessment by persons other than the principal as well as advice or other assistance brought about by observations during the review assignment. Other services include advice that is not attributable to any of the above types of service and which do not concern taxes. The auditors Ernst & Young AB were elected at the 2014, 2015, 2016, 2017, 2018 and 2019 AGMs.

## Note 6 Financial income and expenses

	SEK million		%	
Composition of net financial items	2019	2018	2019	2018
Interest expense, loans	-113	-97	-0.98	-0.87
Exchange-rate changes on foreign loans	-25	-35	-0.22	-0.31
Change in value, currency derivatives	25	35	0.22	0.31
Net interest income, derivatives	-8	-5	-0.07	-0.05
Exchange rate changes on investments	-11	2	-0.1	0.02
Other interest income and expenses	8	3	0.07	0.03
Other financial expenses	-17	-15	-0.15	-0.14
Capitalised interest expense, projects	6	2	0.05	0.02
<b>Recognised net financial items</b>	<b>-135</b>	<b>-110</b>	<b>-1.18</b>	<b>-0.99</b>
Change in value of financial derivatives	-20	10	-0.17	0.09
<b>Total net financial items</b>	<b>-155</b>	<b>-100</b>	<b>-1.35</b>	<b>-0.90</b>

During the year SEK 6 million (2) in interest was capitalised in respect of investments in buildings under construction. Interest equivalent to six months' Stibor plus a surcharge was used when capitalising.

### Net financial items recognised according to classification category

Financial income	2019	2018
<i>Financial assets measured at FVTPL</i>		
Interest income, covered bonds	14	3
Net gains, derivatives	25	35
Net losses, derivatives	-	-
<b>Total recognised in profit or loss (net financial items)</b>	<b>39</b>	<b>38</b>
<i>Financial assets measured at amortised cost</i>		
Interest income, tax account	0	0
Interest income, other	0	-
Other financial income	0	0
<b>Total interest income using effective-interest method</b>	<b>0</b>	<b>0</b>
Exchange-rate changes on foreign loans	-	-
Exchange rate changes on investments	-	2
<b>Total financial income</b>	<b>39</b>	<b>40</b>



**continued Note 6** Financial income and expenses

<b>Financial expenses</b>	<b>2019</b>	<b>2018</b>	<b>Change in value of financial derivatives recognised by category and classification</b>	<b>2019</b>	<b>2018</b>
<i>Financial liabilities measured at FVTPL</i>					
Interest expense, interest-rate derivatives	-8	-5	Changes in value on financial assets		
Change in value, currency derivatives	-	-	Derivatives measured at fair value	-	12
<b>Total recognised in profit or loss (net financial items)</b>	<b>-8</b>	<b>-5</b>	Changes in value on financial liabilities		
<i>Financial liabilities measured at amortised cost</i>			Derivatives measured at fair value	-20	-2
Interest expenses, bonds	-117	-112	<b>Total change in value of financial derivatives</b>	<b>-20</b>	<b>10</b>
Interest expense, commercial paper	3	14			
Interest expense, whole loan repos	0	1			
Interest expense, non-current loans	-	-			
Other financial expenses	-16	-13			
<b>Total interest expense with the effective-interest method</b>	<b>-129</b>	<b>-110</b>			
Exchange-rate changes on foreign loans	-25	-35			
Exchange rate changes on investments	-11	-			
ECLs on financial assets	-	-			
<b>Total financial expenses</b>	<b>-174</b>	<b>-150</b>			
<b>Total recognised net financial items</b>	<b>-135</b>	<b>-110</b>			

**Note 7** Employees, payroll expenses and Board fees, SEK thousand

<i>Parent Company total</i>			<i>Pension expenses</i>		
	<b>2019</b>	<b>2018</b>		<b>2019</b>	<b>2018</b>
Number of employees	158	144	Chairman of the Board	-	-
Of whom women	27.85%	25.69%	Other Board members	-	-
Of whom men	72.15%	74.31%	<b>Total</b>	<b>-</b>	<b>-</b>
<i>The subsidiaries have no employees</i>			<i>Senior executives</i>		
<i>Parent Company including the Board and senior executives</i>				<b>2019</b>	<b>2018</b>
	<b>2019</b>	<b>2018</b>	<b>Salaries and other remuneration</b>		
Salaries and other remuneration	90,455	84,458	Chief Executive Officer	2,526	2,446
Social security expenses <sup>1)</sup>	46,715	43,975	Other senior executives	8,501	7,710
1) Of which, pension expenses	14,640	14,018	<b>Total</b>	<b>11,027</b>	<b>10,156</b>
<i>Board of Directors</i>			<i>Pension expenses</i>		
	<b>2019</b>	<b>2018</b>	Chief Executive Officer	769	743
<b>Salaries and other remuneration</b>			Other senior executives	2,596	2,405
Chairman of the Board	300	273	<b>Total</b>	<b>3,365</b>	<b>3,148</b>
Other Board members	750	757			
<b>Total</b>	<b>1,050</b>	<b>1,030</b>			

**continued, Note 7** Employees, payroll expenses and Board fees, SEK thousand

**Specification of remuneration to Board members<sup>1</sup>**

	2019		2018	
	Salaries and other remuneration	Other benefits	Salaries and other remuneration	Other benefits
Eva Landén <sup>2</sup>	300	-	273	-
Bo Lundgren <sup>3</sup>	-	-	65	-
Jan Berg <sup>4</sup>	39	-	154	-
Carin Götblad	139	-	134	-
Mikael Lundström	139	-	134	-
Ulrika Nordström <sup>3</sup>	-	-	-	-
Pierre Olofsson <sup>5</sup>	98	-	-	-
Erik Tranaeus <sup>6</sup>	-	-	-	-
Maj-Charlotte Wallin	159	-	154	-
Åsa Wirén <sup>7</sup>	176	-	116	-
<b>Total</b>	<b>1,050</b>	<b>-</b>	<b>1,030</b>	<b>-</b>

1) The 2019 AGM resolved that annual Board fees would be payable in an amount of SEK 270,000 to the Chairman of the Board and SEK 130,000 each to other Board members. In addition to the ordinary Board fees, a fee of SEK 30,000 per year was paid to each member of the Audit and Finance Committee and SEK 10,000 per year to each member of the Remuneration Committee. A fee of SEK 40,000 per year was paid to the Chairman of the Audit and Finance Committee and SEK 10,000 per year to the Chairman of the Remuneration Committee. Fees are only paid to members elected by the AGM, not employees of Specialfastigheter or the Government Offices of Sweden. No remuneration over and above that decided by the AGM has been paid to the Chairman of the Board or any Board member. Board fees have been paid as salary, but in two cases were invoiced in Q1 2018 within the framework of the operations conducted in the Board members' companies. When an assignment is carried out within a Board member's company, fees to members of the Board and committees are paid with an additional amount equivalent to the social-security expenses that Specialfastigheter is otherwise not obliged to pay. Invoicing for Board and committee fees should be cost neutral for Specialfastigheter.

2) Elected to the Board at the 2018 AGM.

3) Stepped down in conjunction with the 2018 AGM.

4) Stepped down in conjunction with the 2019 AGM.

5) Elected to the Board at the 2019 AGM.

6) Co-opted Board member for Ulrika Nordström until the 2018 AGM. Elected to the Board at the 2018 AGM.

7) Elected to the Board at the 2018 AGM.

**Specification of remuneration to senior executives<sup>8</sup>**

	Salaries and other remuneration		Other benefits <sup>9</sup>		Pension expenses <sup>10</sup>		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
CEO, Åsa Hedenberg	2,526	2,446	51	48	769	743	3,346	3,237
Deputy CEO/CFO, Kristina Ferenius	1,525	1,470	47	63	464	450	2,036	1,983
Business Director Sweden, Torbjörn Blücher	1,244	1,187	64	61	412	377	1,720	1,625
Projects and Development Director, Göran Cumlin	1,272	1,231	49	59	393	383	1,714	1,673
CIO, Masoomeh Antonsson <sup>11</sup>	464	-	4	-	116	-	584	-
Property Management Director, Michaela Sköld <sup>12</sup>	372	-	14	-	50	-	436	-
Property Management Director, Åsa Welander <sup>13</sup>	765	1,061	29	48	173	281	967	1,390
HR Director, Christina Burlin	1,058	1,039	9	2	394	382	1,461	1,423
Head of Purchasing, Henrik Nyström	997	936	39	35	375	318	1,411	1,289
Communication Director, Hanna Janson	804	786	5	1	219	214	1,028	1,001
<b>Total</b>	<b>11,027</b>	<b>10,156</b>	<b>311</b>	<b>317</b>	<b>3,365</b>	<b>3,148</b>	<b>14,703</b>	<b>13,621</b>

8) There are no individual management contracts or terms relating to severance payments for any senior executives other than the CEO. Notice periods mainly follow collective agreements. There are some individual contracts with mutual 3- or 6-month notice periods. Pensions follow an ITP plan with a retirement age of 65.

9) Company car, subsidised meals and other benefits such as healthcare insurance.

10) Any voluntary salary sacrifice arrangement is included in the total.

11) Joined the management group from 1 July 2019.

12) Joined the management group from 12 August 2019.

13) Included in the management group from 31 August 2019.

**Total for the Parent Company including the Board and senior executives**

The Board, including alternates, comprises 11 (11) members; of whom five (five) are women and six (six) are men. Seven members are elected at the AGM and four members are appointed by employee organisations. The executive management team, which includes the CEO, is made up of nine (eight) individuals; of whom six (five) are women and three (three) are men. No variable remuneration or agreements on financial instruments apply for senior executives. Retirement pension and family pension commitments for salaried employees in Sweden are secured through insurance with Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 10, this comprises a multi-employer defined-benefit plan. For the 2019 financial year, the

company did not have access to information that would have enabled it to recognise this plan as a defined-benefit plan. Accordingly, the ITP pension plan secured via insurance with Alecta was recognised as a defined-contribution plan. Fees for the year for pension insurance policies provided by Alecta were approximately SEK 5 million (5). Alecta's surplus may be distributed to the policy owners and/or the insured. At year-end 2019, Alecta's surpluses in the form of the collective consolidation level was 148% (142). The collective consolidation level is the market value of Alecta's assets as a percentage of its insurance commitments calculated according to Alecta's actuarial commitments, which do not correspond with IAS 19. The Group and the Parent Company's pension obligations outstanding to the Chief Executive Officer and other members of company management amount to SEK 0 (0).

**continued, Note 7** Employees, payroll expenses and Board fees, SEK thousand

**Absence due to illness, % of total working hours**

	2019		2018	
	Sick leave/ Reg. hours, %	Long-term sick leave/ Total sick leave, %	Sick leave/ Reg. hours, %	Long-term sick leave/ Total sick leave, %
Women	0.86	0.00	1.88	26.90
Men	1.94	21.61	1.86	20.74
Employees under 30	*	*	*	*
Employees aged 30–49	1.02	0.00	1.63	17.46
Employees over 49	2.47	28.00	2.10	28.50
All employees	1.64	18.53	1.87	22.47

\*) No data is provided as the group is less than 10 people.

**Note 8** Realised gain/loss on property sales

	2019	2018
Proceeds, properties sold	26	3
Fair value, properties sold	-22	-2
Selling expenses	0	0
<b>Total</b>	<b>4</b>	<b>1</b>

**Note 9** Investment properties

**Investment properties are recognised using the fair value method (IAS 40)**

2019	Acquisition (+)/Disposals (-) properties	Properties owned for the full year	Total 2019
Opening fair value		27,288	27,288
Investments regarding post-acquisition expenditure	-	1,028	1,028
Capitalised interest expenses	-	1	1
Acquisitions (+)	-	-	-
Divestments (-)	-26	-	-26
Unrealised changes in value	-	746	746
<b>Closing fair value</b>	<b>-26</b>	<b>29,063</b>	<b>29,037</b>

2018	Acquisition (+)/Disposals (-) properties	Properties owned for the full year	Total 2018
Opening fair value	-	25,002	25,002
Investments regarding post-acquisition expenditure	-	822	822
Capitalised interest expenses	-	2	2
Acquisitions (+)	58	-	58
Divestments (-)	-	-	-
Unrealised changes in value	-	1,404	1,404
<b>Closing fair value</b>	<b>58</b>	<b>27,230</b>	<b>27,288</b>

Tax assessment value	2019	2018	Fiscal residual values	2019	2018
Buildings	3,255	3,152	Buildings	7,930	7,784
Land	1,723	1,010	Land	1,524	1,536
<b>Total</b>	<b>4,978</b>	<b>4,162</b>	<b>Total</b>	<b>9,454</b>	<b>9,320</b>

**Investment properties**

Investment properties are properties held with the objective of generating rental income and/or value growth. Investment properties are initially recognised at cost, which includes all expenses directly attributable to the acquisition. Investment properties are recognised on the balance sheet at fair value. Fair value is based principally on valuations carried out by company personnel. Valuations are cross-checked against valuations carried out by independent, external appraisers with recognised qualifications and appropriate skills for valuing properties of the types and locations in question. External valuations take place every six months according to a rolling schedule.

Fair value is based on the market value, which is the estimated amount that would be obtained in a transaction at the valuation date between knowledgeable, independent parties who have an interest in the transaction being carried out after customary marketing in which both parties are assumed to have acted with insight, common sense and without coercion. Both unrealised and realised changes in value are recognised in profit or loss. Rental income and income from property sales are recognised in line with the principles described in the Revenue recognition section; see Note 1 to the consolidated financial statements.

**continued, Note 9** Investment properties

**Additional fees**

Subsequent expenditures that entail a future financial advantage for the company, that is, which are value enhancing and can be calculated in a reliable manner, are capitalised as assets. Other expenditures, repairs and maintenance are expensed during the period in which they arise.

Under IFRS 13, valuations of property holdings are categorised according to one of three levels. There are different degrees of uncertainty in the valuation depending on the level used. Specialfastigheter uses Level 3, where the degree of uncertainty is greatest as there is insufficient transaction/market data to allow using another level.

Level 1	Prices quoted in active markets
Level 2	Observable data other than data in Level 1
Level 3	Unobservable data

**Valuation method**

The estimated values of Specialfastigheter's investment properties are determined by means of an internal valuation based on actual data in respect of rents and operating expenses. In order to assure the quality of the internal evaluation, it is cross-checked against an external evaluation of 34 (50) objects, equivalent to 77% (90) of the total value.

External valuations take place according to a rolling schedule. The difference between the external and internal evaluations amounts to less than 2% (3). Specialfastigheter applies a value below that obtained from the external valuations. The market's required yield is used principally when calculating residual values, that is the property's estimated market value at the end of the calculation period.

The calculations are performed on a nominal basis using inflation of 2.0% (2.0) for the first year and 2.0% (2.0) per year for the remaining years in the calculation. The valuation properties generally have relatively long rental agreements with tenants who are considered to be reliable payers. Therefore, it is appropriate to use a differentiated cost of capital for net operating income and residual value in connection with the calculation of yield value. With regard to reliable rental income, the estimated cost of capital over the contract period was mainly between 5.00% (5.00) and 5.25% (5.25). The required yield ranges mostly from 4.50% (4.65) to 9.00% (9.70) depending on property location. The average yield was 5.42% (5.78). We note continued substantial market interest in our type of properties, known as public sector properties.

The operations and maintenance expense levels used in the cash-flow statements are derived from normalised values based on current maintenance plans. Current rental terms have been used as the basis in the cash-flow statements. The values take into account the best and maximum use of the properties.

Estimated market rents have been applied in the cash-flow statements from the moment when the current rental period expires. We obtained current market yield requirements and costs of capital from an external appraiser for use as supporting data in valuation calculations. The appraiser has carried out various investigations and analyses regarding the property category concerned. This included examining various property transactions completed.

Rental income for the year totalled SEK 2,054 million (1,956). Future rents attributable to non-terminable operational leases mature as shown below.

Maturity Profile, SEK million	2019	2018
Within 1 year		
Properties	48	44
Housing	3	3
Between 1 and 5 years		
Properties	551	535
Beyond 5 years		
Properties	1,575	1,534
<b>Total</b>	<b>2,177</b>	<b>2,116</b>

Maturity Profile, SEK million	2019	2018
Year 2020	48	
Year 2021	180	
Year 2022	160	
Year 2023	120	
Year 2024	47	
Beyond 5 years	1,622	
<b>Total</b>	<b>2,177</b>	

Sensitivity analysis, variable	Percentage point change	Annualised earnings impact, SEK million	
		2019	2018
Rental income	+/- 1%	17.9	17.0
Property operations and utilities excl. electricity	+/- 1%	4.7	4.0
Maintenance expenses <sup>1</sup>	+/- 1%	3.1	2.9
Interest	+/- 1%	36.5	48.6
Market rates, derivative instruments <sup>2</sup>	+/- 1%	26.7	23.2
Price change, purchased covered bond <sup>3</sup>	+/- 1%	23.6	24.2
Cost of capital <sup>4</sup>	+ 0.25%	-293	-354
Cost of capital <sup>4</sup>	- 0.25%	302	250
Yield <sup>4</sup>	+ 0.25%	-947	-850
Yield <sup>4</sup>	- 0.25%	1,056	832

Each variable in the above table has been tested individually.

1) Includes capitalised maintenance expenses according to IFRS.

2) Impact on earnings relates to the change in value of derivative instruments.

3) The impact on earnings relates to momentary changes in deposited covered bonds as of 31 December 2019 with a nominal value of SEK 1,100 million.

4) Impact on earnings relates to change in value of investment properties.

**Note 10** Taxes

<b>Recognised in profit or loss</b>	<b>2019</b>	<b>2018</b>
Current tax	152	145
Deferred tax expense	301	257
<b>Total recognised consolidated tax expense</b>	<b>453</b>	<b>402</b>
<b>Reconciliation of effective tax</b>		
Recognised EBT	2,170	2,825
Swedish income tax rate, 21.4% (22)	464	621
Tax-exempt income	0	0
Non-deductible expenses	0	0
Adjusted sale proceeds	-1	0
Standard interest tax allocation reserve	1	1
Accumulated deferred tax, restated with an income tax rate of 20.6%	-11	-220
<b>Total</b>	<b>453</b>	<b>402</b>
<b>Recognised in the balance sheet</b>		
Deferred tax liability	-3,548	-3,247
Current tax liability	-5	1
<b>Total</b>	<b>-3,553</b>	<b>-3,246</b>
<b>Deferred tax assets and liabilities</b>		
Investment properties	-3,227	-2,933
Financial assets	11	10
Tax allocation reserve	-255	-243
Accelerated depreciation	-77	-81
<b>Total</b>	<b>-3,548</b>	<b>-3,247</b>

Deferred tax has been calculated with a tax rate of 20.6%. No deferred tax has been recognised in equity.

**Note 11** Right-of-use assets

	<b>Leasehold agree-ments</b>	<b>Service and company cars</b>	<b>Leases</b>	<b>Total</b>
<b>Cost</b>				
1 January 2019	15	7	5	<b>27</b>
New right-of-use assets	-	8	0	<b>6</b>
31 December 2019	15	15	5	<b>35</b>
<b>Accumulated depreciation</b>				
1 January 2019	-	-	-	-
Depreciation for the year	-	2	1	<b>3</b>
31 December 2019	-	2	1	<b>3</b>
<b>Recognised asset at 31 December 2019</b>	<b>15</b>	<b>13</b>	<b>4</b>	<b>32</b>
<b>Interest-bearing liability</b>				
1 January 2019	15	7	5	<b>27</b>
New right-of-use assets	-	8	0	<b>8</b>
31 December 2019	15	15	5	<b>35</b>
<b>Repayments</b>				
1 January 2019	-	-	-	-
Repayments for the year	-	2	1	<b>3</b>
31 December 2019	-	2	1	<b>3</b>
<b>Recognised interest-bearing liability at 31 December 2019</b>	<b>15</b>	<b>13</b>	<b>4</b>	<b>32</b>
<b>Amount recognised in 2019 profit or loss</b>				
Right-of-use assets, depreciation	3			
Interest expenses, lease liabilities	4			
Expensed low-value or short-term leases	2			
<b>Total</b>	<b>9</b>			

2019 cash flow for leases was SEK 35 million. For further information, see Note 1 to the consolidated financial statements.

For further information, see Note 1 to the consolidated financial statements.

**Note 12** Other property plant and equipment

<b>Plant and equipment</b>	<b>2019</b>	<b>2018</b>
Opening cost	27	25
Purchases	1	2
Sales and disposals	0	0
<b>Closing accumulated cost</b>	<b>28</b>	<b>27</b>
Opening depreciation	21	19
Sales and disposals	0	0
Depreciation for the year	3	2
<b>Closing accumulated depreciation</b>	<b>24</b>	<b>21</b>
<b>Closing residual value according to plan</b>	<b>4</b>	<b>6</b>

**Note 13** Financial investments

Derivatives	2019	2018
<b>Non-current investments</b>		
Interest-rate and currency derivatives measured at FVTPL	47	20
Electricity derivatives measured at FVTPL	4	12
<b>Total</b>	<b>51</b>	<b>32</b>
<b>Current investments</b>		
Interest-rate and currency derivatives measured at FVTPL	-	6
Electricity derivatives measured at FVTPL	2	17
<b>Total</b>	<b>2</b>	<b>23</b>
<b>Other financial investments, non-current</b>		
<b>Non-current investments</b>		
CSA deposits	36	64
Covered bonds	819	926
Other shares and participations	0	0
<b>Total</b>	<b>855</b>	<b>990</b>
<b>Other financial investments, current</b>		
Covered bonds	302	-
<b>Total</b>	<b>302</b>	<b>0</b>

The Group has entered into Credit Support Annexes to ISDA agreements in order to manage exposures to counter-party risks in derivative contracts. These agreements are mutual and mean that the parties jointly undertake to provide collateral in the form of cash and cash equivalents for the underlying value of derivative contracts outstanding. As of 31 December 2019, the Group had lodged collateral in two (three) instances and received collateral in one instance totalling SEK 36 million (64). One deposit of SEK 48 million paid to Nordea, one of SEK 23 million paid to SEB and one of SEK 35 million received from Nomura. Collateral was lodged in the form of eight (seven) covered bonds. As of 31 December 2019, the collateral amounted to SEK 1,121 million (926).

**Note 14** Other receivables

Non-current receivables	2019	2018
Value-added tax for adjustment	3	6
<b>Total</b>	<b>3</b>	<b>6</b>
<b>Current receivables</b>		
Opening suspended VAT	49	22
Other receivables	1	1
<b>Total</b>	<b>50</b>	<b>23</b>

**Note 15** Prepaid expenses and accrued income

	2019	2018
Prepaid energy expenses	3	3
Other interim receivables	16	21
<b>Total</b>	<b>19</b>	<b>24</b>

**Note 16** Cash and cash equivalents

	2019	2018
Bank balances	1	12
<b>Total</b>	<b>1</b>	<b>12</b>

**Note 17** Interest-bearing liabilities

	2019	2018
<b>Non-current liabilities</b>		
Loans	10,504	8,510
<b>Current liabilities</b>		
Loans	3,645	4,891
<b>Total</b>	<b>14,149</b>	<b>13,401</b>

Interest-bearing liabilities includes SEK 32 million pertaining to lease liabilities according to IFRS 16. A corresponding amount is also recognised on the asset side under Right-of-use assets. For further information, see Note 11 to the consolidated financial statements.

Of the Group's and the Parent Company's non-current loan liabilities, SEK 2,517 million (2,589) matures more than five years after the balance-sheet date.

Foreign currency bonds are translated to the balance-sheet date SEK exchange rate. The fair value of derivatives corresponds to the translated amounts of the bonds, thus largely neutralizing the foreign exchange effects.

The market value of foreign currency bonds is translated to the balance-sheet date exchange rate and recognised in the tables in SEK. Fair value is measured by discounting future cash flows at the market interest rate on the balance-sheet date for the respective maturity pursuant to level 2, IFRS 13. The fair value of foreign currency bonds is measured by discounting future cash flows at listed market interest rates and exchange rates for the respective maturity at the balance-sheet date.

**Funding is distributed as follows**
**Category – Financial liabilities measured at amortised cost**

2019	Carrying amount	Nominal amount	Fair value
Overdraft facility	243	243	243
CSA deposits	-	-	-
Commercial paper	2,525	2,525	2,525
Fixed-interest bonds	8,751	8,755	9,119
Floating-rate bonds	1,936	1,920	1,921
Inflation-linked bonds	193	190	193
Foreign currency bonds	469	456	484
<b>Total</b>	<b>14,117</b>	<b>14,089</b>	<b>14,485</b>

2018	Carrying amount	Nominal amount	Fair value
Overdraft facility	-	-	-
CSA deposits	-	-	-
Commercial paper	3,041	3,040	3,043
Fixed-interest bonds	7,399	7,405	7,697
Floating-rate bonds	2,329	2,320	2,321
Inflation-linked bonds	189	190	189
Foreign currency bonds	443	456	444
<b>Total</b>	<b>13,401</b>	<b>13,411</b>	<b>13,694</b>

**continued, Note 17** Interest-bearing liabilities

**Maturity profile**

2019	Carrying amount	Nominal amount	Fair value	2018	Carrying amount	Nominal amount	Fair value
2019	-	-	-	2019	4,891	4,890	4,905
2020	3,888	3,888	3,895	2020	1,120	1,120	1,136
2021	1,700	1,700	1,723	2021	1,700	1,700	1,746
2022	2,351	2,350	2,373	2022	2,351	2,350	2,378
2023	1,685	1,656	1,685	2023	750	756	744
2024	1,976	1,980	2,048	2024	976	980	1,043
2025	1,000	1,000	1,028	2025	500	500	524
2026	374	375	406	2026	374	375	400
2027	-	-	-	2027	-	-	-
2028	-	-	-	2028	-	-	-
2029	-	-	-	2029	-	-	-
2030 and beyond	1,143	1,140	1,327	2030 and beyond	739	740	818
<b>Total</b>	<b>14,117</b>	<b>14,089</b>	<b>14,485</b>	<b>Total</b>	<b>13,401</b>	<b>13,411</b>	<b>13,694</b>

**Group financing in foreign currency at the balance-sheet date**

2019						
Currency	Nominal	Interest %	Interest in SEK	Nominal amount in SEK	Carrying amount in SEK	
USD	25,000,000	2.56	0.57	227,790,000	234,230,000	
USD	25,000,000	2.59	0.60	227,790,000	234,230,000	

2018						
Currency	Nominal	Interest %	Interest in SEK	Nominal amount in SEK	Carrying amount in SEK	
USD	25,000,000	2.56	0.34	227,790,000	221,675,000	
USD	25,000,000	2.59	0.37	227,790,000	221,675,000	

**Significant contractual conditions**

The Group's loan agreements include an ownership clause which entitles lenders to call in a loan early if the state's ownership level falls below 100%.

**Hedge accounting**

Hedge accounting is not applied by the Group.

**Currency distribution**

When funding in foreign currency, all future payment flows are hedged so that currency risks are eliminated. All interest payments and future repayments are hedged through currency swaps.

The table "Group financing in foreign currency at the balance-sheet date" shows foreign currency at the balance-sheet date by original

currency and after taking currency swaps into account. Foreign currency loans are translated at the closing-date exchange rate and the exchange-rate change is reported in net financial items.

The Group has entered into Credit Support Annexes to ISDA agreements in order to manage exposures to counter-party risks in derivative contracts. These agreements are mutual and mean that the parties jointly undertake to provide collateral in the form of cash and cash equivalents for the underlying value of derivative contracts outstanding. The Group had received collateral in one instance and lodged collateral in two instances at 31 December 2019. Refer to Note 13 to the consolidated financial statements.

**Note 18** Other liabilities

Other liabilities	2019	2018
Customer advances	0	0
VAT	105	109
Other liabilities	3	2
<b>Total</b>	<b>108</b>	<b>111</b>

**Note 19** Accrued expenses and deferred income

	2019	2018
Deferred rental income	541	525
Accrued energy expenses	6	14
Accrued interest expenses	37	37
Accrued social-security expenses	2	2
Accrued holiday pay	10	9
Accrued payroll tax	3	3
Other items	8	11
<b>Total</b>	<b>607</b>	<b>601</b>

## Note 20 Financial risks and financial policy

The Group and Parent Company are exposed to various types of financial risk through their business operations. The term financial risks means fluctuations in the company's performance and cash flow due to the effect of interest-rate, financing, credit, currency and electricity price risk. All Group financial risks are brought into the Parent Company and managed from there. The Group's financial risks comprise the financial operations of the Parent Company. The Group's financial policy for managing financial risk has been adopted by the Board and comprises a framework of guidelines and rules in the form of risk mandates and limits for financial operations. The policy is designed to ensure that the owner's required return on equity is achieved in the safest way possible. The overall objective of treasury operations is to provide cost-effective funding and to minimise the adverse effects of market fluctuations on the Group's earnings.

For more information on financial risks, refer to page 48.

### Financial operations

The Parent Company's financial department manages the Group's financial transactions and risks centrally. The company's Finance Manager deals with operational activities.

### Rating

The credit rating institute Standard & Poor's (S&P) has rated the company's long-term funding with an AA+/Stable outlook and retained A-1+ for short-term funding. S&P raised the rating from AA to AA+ in 2005 given the continued long-term ownership aims of the Swedish government and the company's long-term ability to achieve the owner's return requirement. S&P confirmed the AA+ rating on 17 December 2019. When S&P assesses Specialfastigheter's stand-alone creditworthiness – the company's ability to stand-alone without Swedish state ownership – we receive an AA- credit rating.

### Interest-rate risk

Interest-rate risk refers to the risk of negative effects on interest expenses for existing and future financing due to interest-rate changes. Specialfastigheter's interest-rate exposure is governed by limiting the proportion maturing within 12 months to a maximum of 70% of the net loan portfolio. The average fixed-interest period should be within a range of 1–5 years. On the closing date, the average fixed-interest period was 4.0 years (3.2). The fixed-interest period shows how quickly a change in interest rates will impact in the form of increased borrowing expenses. The objective of interest-rate risk management is to achieve low interest expenses over time while adapting the interest-rate profile to underlying business possibilities.

At 31 December 2019, the portfolio's average interest rate for loans and derivatives was 0.90% (0.85). Inflation-linked bonds were issued for SEK 190 million (190) to protect inflation-linked items in the income statement, such as rental income and, operating and maintenance expenses.

The company's financial policy permits the use of derivatives. The main derivatives used are interest-rate swaps. The risk exposure of the total portfolio is governed by limits for fixed-interest periods. This leads to the limitation of the total risk effect of the derivatives portfolio. The company conducts derivative transactions to cost effectively manage the whole financial portfolio's allocation of interest-rate exposure over time. The derivatives portfolio has created a redistribution of interest-rate exposure from shorter to longer terms; refer to the "Fixed-interest maturity structure and loan-to-maturity." The volume for loan-to-maturity includes loans and investments in covered bonds.

The fixed-interest volume includes loans, derivatives and investments in covered bonds. The loan liability is calculated as a net liability, after taking into account any positive balances and investments.

### Financing risk

Financing risk refers to the risk that existing financing cannot be replaced or only at exceptionally high cost. The risk to Specialfastigheter also includes not being able to secure financing, for example in connection with a major acquisition. To limit financing risk, Specialfastigheter strives to raise credits with long maturities and even maturity profiles for commercial paper and bonds issued. To further reduce financing risk, there are also guaranteed loan commitments and overdrafts totalling SEK 5,550 million (5,550). On the balance-sheet date, unutilised guaranteed loan commitments, and cash and cash equivalents amounted to SEK 5,307 million (5,562) covering the refinancing risk for the next 28 months' (18) maturity.

No special undertakings are included in loan commitments other than ownership clauses and disclosure commitments. Three loan commitments totalling SEK 2,500 million increase the margin on loans drawn from the facility if the company's rating falls below AA-. The maturity of financial liabilities has been spread over time to limit refinancing risk. As of 31 December 2019, loan-to-maturity was 4.6 years (3.8), and taking unutilised guaranteed loan commitments into consideration, loan-to-maturity was 5.4 (4.8) years.

During the year, we increased investments in covered bonds by SEK 200 million to a total nominal amount of SEK 1,100 million (900) with a medium-term maturity; these investments are used as collateral for raising whole loan repos.

The company's nominal gross financial liability totalled SEK 14,089 million (13,411) at year end. Further reductions of the refinancing risk are achieved by diversifying funding sources; refer to the "Credit facilities" table. Borrowing is conducted in the Swedish and international credit markets through bond and commercial paper programmes and in the Swedish and international banking markets. Specialfastigheter conducts borrowing against the balance sheet without pledging properties. The company's loan contracts have included an ownership clause ever since 1999, which strengthens lenders' positions. The clause means that lenders are entitled to call a loan in early if state ownership falls below 100%.

The "Liquidity risk" table on page 94 shows agreed undiscounted cash flows, which include all financial liabilities including interest payments. Where the future variable interest rate is unknown, it has been estimated with the aid of implicit forward interest rates. Rental income is used to meet the future commitments presented in the table. Credit risk is assessed as negligible for rental income.

### Credit risks and counterparty risks in financial operations

Financial credit risk refers primarily to counterparty risks in connection with receivables from banks and other counterparties. The risk arises in derivatives trading or the investment of cash and cash equivalents. Specialfastigheter's policy to reduce credit risk is that the investment of cash and cash equivalents and entering into of derivative contracts may only be carried out with a limited number of counterparties and within approved limits. Cash and cash equivalents are used in practice to repay loans. Derivative counterparties are banks with high credit ratings.

The company's counterparty risk in derivative contracts totalled SEK 53 million (55) as of 31 December 2019; this corresponds to the company's total receivables from unrealised derivatives with positive values.

CSA deposits are in the form of cash deposits.

The credit risk in daily business operations is limited by advance invoicing of rents, long leases and by tenants having a strong connection to the Swedish state.



**continued, Note 20** Financial risks and financial policy

Receivables mainly comprise lease receivables for which the Group has chosen to apply the simplified approach for ECL recognition. This entails making ECL provisions for the remaining lifetimes, which are expected to be less than one year for all receivables. The Group applies a rating-based method for calculating ECLs based on probability of default, expected loss and exposure at default. The Group defines default as when receivables are 90 days or more past-due, or if other factors indicate that a suspension of payments applies. The Group has essentially one counterparty, namely the Swedish state. At present, the counterparty's credit rating is AAA, which means that the risk of credit losses is deemed negligible. Therefore, the Group has not made any provision for ECLs.

The Parent Company applies the general approach for ECL provisions on intra-Group receivables. The Parent Company applies a rating-based method for calculating ECLs based on probability of default, expected loss and exposure at default. At the balance-sheet date, the Group had a credit rating of AA+ from Standard & Poor's. The risk nature of subsidiaries' operations and types of properties are comparable to that of the Parent Company and, accordingly, the subsidiaries are assumed to have comparable credit ratings. The Parent Company defines default as when receivables are 90 days or more past-due, or if other factors indicate that a suspension of payments applies. At the balance-sheet date, no material increase in credit risk is assessed as applying for any intra-Group receivables. Based on the Parent Company's assessments using the above approach and taking into consideration other known information and forward-looking factors, ECLs are not expected to be material and therefore no provision has been made.

**Financial items that have matured for payment at the year end, SEK million**

	2019	2018
Financial assets	389	91
Financial liabilities	2	2

An impairment of SEK 0 million (0) was carried out on the balance-sheet date. SEK 0 million (1) of trade receivables were unpaid at 31 January 2020. Trade payables of SEK 0 million (1) were unpaid in January.

**Credit rating, financial assets, SEK million**

2019	Simplified approach	General approach	
Credit rating	Trade receivables	Stage 1	Total
No credit rating/trade receivables	2	-	2
AAA	456	-	456
AA	-	1	1
A	-	0	0
BBB	-	-	-
<b>Total</b>	<b>458</b>	<b>1</b>	<b>459</b>

**Currency risk**

Foreign currency borrowing outside the Swedish market takes place if it is advantageous from an overall cost or diversification perspective. Foreign currency exposures must be hedged if they exceed a value equivalent to SEK 5 million. Foreign currency hedging refers to the use of financial derivatives or matching between assets and liabilities. Since the Group's activities are exclusively denominated in Swedish krona, all currency risks in connection with financing in foreign currencies have been eliminated through currency derivatives. Because cur-

rency exposure also occurs when financial electricity derivatives are taken up, they are hedged by means of currency derivatives. The effects of the unrealised change in value are reported under "Change in value of financial instruments, unrealised" in the income statement, while foreign currency loans are translated at the balance-sheet date exchange rate and reported in net financial items.

The following table shows the Group's borrowing and hedging in foreign currency.

**Nominal amounts (SEK) per business day**

2019			
Original currency	Loans	Derivatives	Total
USD	456.0	-456.0	0
2018			
Original currency	Loans	Derivatives	Total
USD	456.0	-456.0	0

**Electricity price risk**

Electricity price risk refers to the risk of fluctuations in the future price of electricity adversely affecting the company's operating expenses. As a consequence of this, the company has established an electricity price policy with a long-term price-hedging strategy; refer to the "Hedged portion of future electricity consumption" table. To limit the electricity price risk for estimated electricity consumption, the company buys price-hedging contracts in the form of electricity futures. These are managed through day-to-day analysis of the electricity market and the company's own portfolio. Price hedging is done in sub items to reduce the risk of undertaking large price hedges in expensive circumstances. In this way the hedged portion increases as the consumption date approaches. By the time a budgeted price is to be given for the coming year, a large portion has been price-hedged.

Specialfastigheter passes on most of the electricity cost to its tenants, which means the price risk to the company is negligible.

**Derivatives**

Specialfastigheter uses derivative instruments to manage interest-rate risk and to thereby achieve the desired fixed-rate structure and to manage currency risk and to hedge loans in foreign currencies.

Over time, changes in value may arise in the derivatives portfolio owing to changes in market interest rates and exchange rates. These unrealised changes in value are recognised in profit or loss. Electricity derivatives are measured at fair value and recognised in profit or loss. The electricity consumption expense is recognised on an ongoing basis in profit or loss. Financial interest-rate derivatives are measured at fair value according to the closing interest rate as of the balance-sheet date.

**Financial instruments measured at fair value**

The fair value of financial instruments can be determined in various ways.

- Level 1 Fair value determined by prices quoted in an active market for the same instrument.
- Level 2 Fair value determined either by directly or indirectly observable market data not included in Level 1.
- Level 3 Fair value determined based on data that is not observable in the market.

The table on page 95 describes how fair value was determined for the company's financial instruments.

continued, Note 20 Financial risks and financial policy

Financial instruments – Measured at fair value

2019	Prices quoted in an active market (Level 1)	Measurement based on observable data (Level 2)	Measurement based on information other than observable data (Level 3)	Total
Interest-rate swaps	-	-61	-	-61
Currency swaps	-	18	-	18
Electricity futures	3	-	-	3
<b>Net</b>	<b>3</b>	<b>-43</b>	<b>-</b>	<b>-40</b>

2018	Prices quoted in an active market (Level 1)	Measurement based on observable data (Level 2)	Measurement based on information other than observable data (Level 3)	Total
Interest-rate swaps	-	-50	-	-50
Currency swaps	-	-23	-	-23
Electricity futures	28	-	-	28
<b>Net</b>	<b>28</b>	<b>-73</b>	<b>-</b>	<b>-45</b>

Credit facilities

	Loan limit		Utilised	
	2019	2018	2019	2018
CSA deposits	-	-	-36	-64
Group overdraft	800	800	243	-12
Guaranteed loan commitments	4,750	4,750	-	-
Commercial paper	5,000	5,000	2,525	3,040
MTN programme	13,000	13,000	10,675	9,725
Private Placements	956	956	646	646
Whole loan repos	1,100	900	-	-
Investments	-1,100	-900	-1,100	-900
<b>Total</b>	<b>24,506</b>	<b>24,506</b>	<b>12,953</b>	<b>12,435</b>

Liquidity risk, agreed undiscounted cash flows

2019	Loan	Derivatives, inflow	Derivatives, outflow	Derivatives, total	Trade payables
Less than 3 months	-1,796	0	-4	-4	-213
Between 3 and 12 months	-1,976	20	-17	3	-
Between 1 and 3 years	-6,017	55	-54	1	-
Between 3 and 5 years	-3,475	5	-11	-6	-
<b>Total</b>	<b>-13,264</b>	<b>80</b>	<b>-86</b>	<b>-6</b>	<b>-213</b>

2018	Loan	Derivatives, inflow	Derivatives, outflow	Derivatives, total	Trade payables
Less than 3 months	-1,663	0	-4	-4	-169
Between 3 and 12 months	-3,359	28	-16	12	-
Between 1 and 3 years	-5,458	56	-59	-3	-
Between 3 and 5 years	-2,368	24	-28	-4	-
<b>Total</b>	<b>-12,848</b>	<b>108</b>	<b>-107</b>	<b>1</b>	<b>-169</b>

Exposure to counterparty risks distributed across different rating categories

Institute with long rating, 2019	Asset	Liability	Securities received/paid	Net exposure
AA-	17	-64	48	1
A+	1	-15	23	9
A	28	-10	-35	-17
BBB+	-	-	-	-
Electricity derivatives	7	-4	-	3
<b>Total</b>	<b>53</b>	<b>-93</b>	<b>36</b>	<b>-4</b>

Institute with long rating, 2018	Asset	Liability	Securities received/paid	Net exposure
AA-	20	-57	33	-4
A+	6	-19	11	-2
A	-	-23	20	-3
BBB+	-	-	-	-
Electricity derivatives	29	-1	-	28
<b>Total</b>	<b>55</b>	<b>-100</b>	<b>64</b>	<b>19</b>

## continued, Note 20 Financial risks and financial policy

## Hedged portion of future electricity consumption

2019					2018				
Year	GWh	Min. limit	Max. limit	Proportion	Year	GWh	Min. limit	Max. limit	Proportion
2020	102	70%	100%	75%	2019	102	70%	100%	78%
2021	102	40%	100%	60%	2020	102	40%	100%	45%
2022	102	20%	100%	35%	2021	102	20%	100%	45%
2023	102	0%	100%	15%	2022	102	0%	100%	20%

## Maturity profile for electricity derivatives

2019			2018		
Year	GWh	Market value	Year	GWh	Market value
2020	76	0	2019	79	16
2021	61	3	2020	46	7
2022	36	0	2021	46	5
2023	15	0	2022	20	0
2024	0	-	2023	0	-
<b>Total</b>	<b>188</b>	<b>3</b>	<b>Total</b>	<b>191</b>	<b>28</b>

## Derivative portfolio's market value

	2019			2018		
	Nominal value	Positive value	Negative value	Nominal value	Positive value	Negative value
Currency swaps	456	28	10	456	0	23
Interest-rate swaps	1,549	18	79	1,797	26	76
Electricity futures	-	7	4	-	29	1
<b>Total</b>	<b>2,005</b>	<b>53</b>	<b>93</b>	<b>2,253</b>	<b>55</b>	<b>100</b>

## Sensitivity analysis

Change	Pre-tax change in profit or loss	Change in equity after tax
Change in net financial items if market rate increases 1%, annual expense change	Earnings decrease SEK 36 million (49)	Equity decreases SEK 29 million (39)
Change in value of financial derivatives if market rate increases 1%	Earnings increase SEK 27 million (23)	Equity increases SEK 21 million (18)
Currency risk is hedged by currency swaps, which removes the effect of exchange-rate changes	No change	No change
Electricity price risk – electricity futures reduce price volatility. The majority of electricity expenses are then passed on to the tenants.	No change	No change

## Fixed-interest maturity structure and loan-to-maturity

	Fixed-interest		Loan-to-maturity	
	2019	2018	2019	2018
2019	-	5,713 <sup>1</sup>	-	4,828 <sup>1</sup>
2020	4,238 <sup>1,2</sup>	399 <sup>2</sup>	3,549 <sup>1,2</sup>	799 <sup>2</sup>
2021	1,700 <sup>2</sup>	1,696 <sup>2</sup>	1,394 <sup>2</sup>	1,390 <sup>2</sup>
2022	1,847 <sup>2</sup>	1,846 <sup>2</sup>	2,145 <sup>2</sup>	2,145 <sup>2</sup>
2023	710 <sup>2</sup>	186 <sup>2</sup>	1,377 <sup>2</sup>	648 <sup>2</sup>
2024	1,847	846	1,977 <sup>2</sup>	976
2025	1,000	500	1,000	500
2026	374	374	374	374
2027	-	-	-	-
2028	-	-	-	-
2029	-	-	-	-
2030 and beyond	1,243	839	1,143	739
<b>Total</b>	<b>12,959</b>	<b>12,399</b>	<b>12,959</b>	<b>12,399</b>

1) Includes CSA deposits given and received as well as bank balances.

2) Includes investments in covered bonds.

continued, Note 20 Financial risks and financial policy

Carrying amount per category

	2019		2018	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets measured at FVTPL</b>				
Interest-rate derivatives	18	18	26	26
Currency derivatives	28	28	-	-
Electricity derivatives	7	7	29	29
Covered bonds	1,121	1,121	926	926
Shares and participations	0	0	0	0
<b>Financial assets measured at amortised cost</b>				
Trade receivables	458	458 <sup>1</sup>	153	153 <sup>1</sup>
CSA deposits	71	71 <sup>1</sup>	64	64 <sup>1</sup>
Accrued interest income	-	-	-	-
Cash and cash equivalents	1	1	12	12
<b>Financial liabilities measured at FVTPL</b>				
Interest-rate derivatives	79	79	76	76
Currency derivatives	10	10	23	23
Electricity derivatives	4	4	1	1
<b>Financial liabilities measured at amortised cost</b>				
Commercial paper	2,525	2,525	3,041	3,043 <sup>2</sup>
Fixed-interest bonds	8,751	9,119	7,399	7,697 <sup>2</sup>
Floating-rate bonds	1,936	1,921	2,329	2,321 <sup>2</sup>
Inflation-linked bonds	193	193	189	189 <sup>2</sup>
Foreign currency bonds	469	484	443	444 <sup>2</sup>
Trade payables	213	213	169	169 <sup>1</sup>
CSA deposits	35	35	-	-
Accrued interest expenses	37	37	37	37 <sup>1</sup>

1) Fair value is measured by discounting future cash flows at the market interest rate on the balance-sheet date for the respective maturity. The fair value of bonds in foreign currency is measured by discounting future cash flows at the balance-sheet date exchange rate for the respective maturity. At the balance-sheet date there were no material differences between carrying amounts and fair values for trade receivables and trade payables.

2) Market quotations and generally accepted Level 2 calculation methods are used to determine fair value on the closing date.

The Group's maximum credit risk comprises the net amounts in the above table. The Group has not received any pledged collateral for the net financial assets.

The financial assets encompassed by an ECL provision pursuant to the general approach consist of cash and cash equivalents, CSA deposits and accrued interest income. Specialfastigheter applies a rating-

based approach in combination with other known information and forward-looking factors to assess ECLs. The Group defines default as when receivables are 90 days or more past-due, or if other factors indicate that a suspension of payments applies. In those instances where amounts are not assessed as negligible, an ECL provision is recognised even for these financial instruments.

Financial assets and liabilities that are offset or covered by a general netting arrangement

2019	Gross amount	Offset amount	Net amount in balance sheet	Amounts covered by a general or similar netting agreement <sup>1</sup>		
				Financial instruments	Financial collateral, received/paid	Net amount
Derivative assets	54	-	54	-54	-	-
Derivative liabilities	-94	-	-94	54	36	-4
<b>Total</b>	<b>-40</b>	<b>-</b>	<b>-40</b>	<b>-</b>	<b>36</b>	<b>-4</b>

2018	Gross amount	Offset amount	Net amount in balance sheet	Amounts covered by a general or similar netting agreement <sup>1</sup>		
				Financial instruments	Financial collateral, received/paid	Net amount
Derivative assets	55	-	55	-55	-	-
Derivative liabilities	-100	-	-100	55	64	19
<b>Total</b>	<b>-45</b>	<b>-</b>	<b>-45</b>	<b>-</b>	<b>64</b>	<b>19</b>

1) These financial assets and liabilities are only offset in the case of insolvency or upon suspension of payments by either party. These also include arrangements where the Group has no intention of divesting the instruments concurrently.

**continued, Note 20** Financial risks and financial policy

**Summary of liabilities attributable to financing activities**

	Cash flow items		Non-cash items			Closing balance 2019
	Closing balance 2018	Cash flow from financing activities	Effect of changed exchange rate	Change in fair value	Price change	
Interest-bearing liabilities	13,401	690	25	-	1	14,117
Non-interest-bearing liabilities	111	-3	-	-	-	108
Interest-rate and cross-currency swaps, fair value hedges	99	0	-25	15	-	89
Electricity futures, fair value hedges	1	-	-	3	-	4
<b>Total liabilities attributable to financing activities</b>	<b>13,612</b>	<b>687</b>	<b>0</b>	<b>18</b>	<b>1</b>	<b>14,318</b>

	Cash flow items		Non-cash items			Closing balance 2018
	Closing balance 2017	Cash flow from financing activities	Effect of changed exchange rate	Change in fair value	Price change	
Interest-bearing liabilities	13,781	-414	35	-	-1	13,401
Non-interest-bearing liabilities	107	4	-	-	-	111
Interest-rate and cross-currency swaps, fair value hedges	145	0	-35	-11	-	99
Electricity futures, fair value hedges	2	-	-	-1	-	1
<b>Total liabilities attributable to financing activities</b>	<b>14,035</b>	<b>-410</b>	<b>0</b>	<b>-12</b>	<b>-1</b>	<b>13,612</b>

**Note 21** Related parties

**Related-party transactions**

	Consolidated IFRS		Parent Company Annual Accounts Act	
	2019	2018	2019	2018
Intra-Group income	-	-	9	7
Intra-Group expenses	-	-	-	-
Current intra-Group receivables	-	-	5	5
Non-current intra-Group receivables	-	-	564	596
Short-term intra-Group liability during winding-up proceedings	-	-	-	-259

**Transactions with the shareholder**

	Consolidated IFRS		Parent Company Annual Accounts Act	
	2019	2018	2019	2018
Dividend	-	-	555	560

No ECLs on financial assets exist within the Group.

There are no dealings with the owner, the Swedish State, other than those stipulated by law. The Parent Company, Specialfastigheter Sverige AB, company registration number 556537-5945, has a close relationship with its subsidiaries; refer to Note 15 for the Parent

Company. For more information on salaries and other remuneration, expenses and commitments with respect to pensions and similar benefits of the Board, CEO and other senior executives, as well as contracts concerning severance payments, see Note 7 to the consolidated financial statements.

**Note 22** Pledged assets and contingent liabilities

	2019	2018
Pledged assets	None	None
Contingent liabilities	None	None

**Note 23** Events after the balance-sheet date

COVID-19 is ongoing and we cannot currently assess its future consequences. But based on the types of tenants and the financing we have, we do not currently deem it a major risk.

## Parent Company income statement, SEK million

	Note	Full-year 2019	Full-year 2018
Rental income		1,948	1,857
Other income	2	203	172
<b>Net sales</b>		<b>2,151</b>	<b>2,029</b>
Operating expenses	3	-609	-531
Depreciation of investment properties		-728	-672
<b>Gross profit</b>		<b>814</b>	<b>826</b>
Central administration	4, 5	-56	-61
Gain/loss on property sales	6	11	1
<b>Operating profit</b>	7	<b>769</b>	<b>766</b>
<b>Profit/loss from financial investments</b>			
Other interest income and similar profit/loss items	8	44	58
Interest expense and similar profit/loss items	8	-196	-152
<b>Profit/loss after financial items</b>		<b>617</b>	<b>672</b>
Appropriations	9	-35	-59
Tax on profit for the year	10	-126	-87
<b>Net profit for the year</b>	11	<b>456</b>	<b>526</b>
Of which attributable to the Parent Company's shareholder		456	526

## Parent Company – Statement of comprehensive income, SEK million

	Full-year 2019	Full-year 2018
<b>Net profit for the year</b>	<b>456</b>	<b>526</b>
Total other comprehensive income for the year, net after tax	-	-
<b>Total comprehensive income for the year</b>	<b>456</b>	<b>526</b>
Of which attributable to the Parent Company's shareholder	456	526

Since the Parent Company's and the Consolidated income statements and balance sheets largely correspond, we have issued no separate comments for the Parent Company.

## Parent Company – Balance sheet, SEK million

	Note	2019	2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties	12, 13	15,447	15,198
Plant and equipment	14	4	6
Financial assets	15	2,166	2,316
<b>Total non-current assets</b>		<b>17,617</b>	<b>17,520</b>
<b>Current assets</b>			
<b>Trade receivables</b>			
		<b>439</b>	<b>146</b>
Tax assets	10	-	5
Current investments	16	304	23
Current receivables	17	55	27
Prepaid expenses and accrued income	18	18	23
Cash and bank balances	19	1	12
<b>Total current assets</b>		<b>817</b>	<b>236</b>
<b>Total assets</b>		<b>18,434</b>	<b>17,756</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital (2,000,000 shares)		200	200
Statutory reserve		42	42
<b>Total restricted equity</b>		<b>242</b>	<b>242</b>
<b>Non-restricted equity</b>			
Retained earnings		354	124
Net profit for the year		456	526
<b>Total non-restricted equity</b>		<b>810</b>	<b>650</b>
<b>Total equity</b>		<b>1,052</b>	<b>892</b>
<b>Untaxed reserves</b>	20	<b>1,574</b>	<b>1,539</b>
<b>Liabilities</b>			
<b>Interest-bearing liabilities</b>			
Green bonds	21	1,246	1,244
Other loan liabilities	21	12,871	12,416
<b>Non-interest-bearing liabilities</b>			
Tax liability	10	7	-
Other liabilities	22	402	371
Deferred tax liabilities	10	706	724
Accrued expenses and deferred income	23	576	570
<b>Total liabilities</b>		<b>15,808</b>	<b>15,325</b>
<b>Total equity and liabilities</b>		<b>18,434</b>	<b>17,756</b>

## Parent Company – Changes in equity, SEK million

Attributable to the Parent Company's shareholder

	Restricted equity	Non-restricted equity		Total equity
	Share capital	Statutory reserve	Retained earnings	
<b>2019</b>				
Opening balance, 1 January 2019	200	42	650	892
<b>Comprehensive income</b>				
Contributed capital from subsidiaries			259	259
Net profit for the year	-	-	456	456
Other comprehensive income	-	-	-	-
<b>Total</b>	<b>200</b>	<b>42</b>	<b>1,365</b>	<b>1,607</b>
<b>Transactions with the shareholder</b>				
Dividend	-	-	-555	-555
<b>Total transactions with the shareholder</b>	<b>-</b>	<b>-</b>	<b>-555</b>	<b>-555</b>
Closing balance, 31 December 2019	200	42	810	1,052

	Restricted equity	Non-restricted equity		Total equity
	Share capital	Statutory reserve	Retained earnings	
<b>2018</b>				
Opening balance, 1 January 2018	200	42	684	926
<b>Comprehensive income</b>				
Net profit for the year	-	-	526	526
Other comprehensive income	-	-	-	-
<b>Total</b>	<b>200</b>	<b>42</b>	<b>1,210</b>	<b>1,452</b>
<b>Transactions with the shareholder</b>				
Dividend	-	-	-560	-560
<b>Total transactions with the shareholder</b>	<b>-</b>	<b>-</b>	<b>-560</b>	<b>-560</b>
Closing balance, 31 December 2018	200	42	650	892



## Parent Company – Cash-flow statement, SEK million

	Full-year 2019	Full-year 2018
<b>Operating activities</b>		
Gross profit	814	826
Central administration	-56	-61
Net financial expense	-152	-94
Reversal, change in value of financial investments	-5	-45
Reversal, change in prices	37	32
Reversal of depreciation	738	674
Income tax paid	-132	-166
<b>Cash flow from operating activities before changes in working capital</b>	<b>1,244</b>	<b>1,166</b>
<b>Change in working capital</b>		
Change in receivables	-312	-2
Change in other current liabilities	44	46
<b>Total change in working capital</b>	<b>-268</b>	<b>44</b>
<b>Cash flow from operating activities</b>	<b>976</b>	<b>1,210</b>
<b>Investing activities</b>		
Acquisition of investment properties	-	-58
Investment in investment properties	-970	-1,015
Disposal of investment properties	26	1
Acquisition of property, plant and equipment	-1	-2
Disposal of property, plant and equipment	0	0
<b>Cash flow from investing activities</b>	<b>-945</b>	<b>-1,074</b>
<b>Financing activities</b>		
Investment, covered bonds	-206	116
Borrowings	18,201	17,041
Repayments of borrowings	-17,482	-17,186
Dividend paid to Parent Company's shareholder	-555	-560
<b>Cash flow from financing activities</b>	<b>-42</b>	<b>-589</b>
<b>Cash flow for the year</b>	<b>-11</b>	<b>-453</b>
Opening cash and cash equivalents	12	465
<b>Closing cash and cash equivalents</b>	<b>1</b>	<b>12</b>
<b>Interest</b>		
Interest received	19	9
Interest paid	123	100

## Note 1 Parent Company accounting policies

The Parent Company applies the same accounting policies as the Group, except in the cases specified below. The deviations between the Parent Company's and the Group's policies arise from limitations in the Parent Company's ability to apply IFRS as a result of provisions in the Swedish Annual Accounts Act and the Swedish Pension Obligations Vesting Act, and in certain cases for tax reasons.

### Parent Company accounting policies

The Parent Company has prepared its annual accounts in accordance with the Swedish Annual Accounts Act and Recommendation RFR 2 of the Swedish Financial Reporting Board, Accounting for Legal Entities. Statements issued by the Swedish Financial Reporting Board applicable to listed companies are also applied. RFR 2 means that the Parent Company must apply all EU-approved IFRSs and interpretations insofar as this is possible under the provisions of the Annual Accounts Act, the Swedish Pension Obligations Vesting Act and with due consideration to the relationship between accounting and taxation.

### Changes in accounting policies

New standards and interpretations that entered force in 2019 have had a limited impact on the financial statements.

### Interest expenses for legal entities

As a result of changes in the Income Tax Act, interest expenses and other fees for borrowing are not capitalised as part of the cost of assets from 2019. According to an amendment from the Swedish Financial Reporting Board, no capitalised costs are expensed retroactively. The amendment refers only to legal entities and does not affect the consolidated accounts.

### Classification and structure

The Parent Company's income statement and balance sheet follow the structure of the Annual Accounts Act. The principal difference in comparison with IAS 1 Presentation of Financial Statements applied in the layout of the Group's financial statements is the presentation of operating profit, financial income and expenses, non-current assets, equity and the occurrence of provisions as separate headings in the balance sheet.

### Subsidiaries

Participations in subsidiaries are recognised in the Parent Company in accordance with the cost method. Acquisition-related expenses for subsidiaries are included in the cost of the shares in the subsidiary. Dividends received are recognised as income.

### Depreciation

Earnings in the income statement have been charged with depreciation according to plan. In the case of plant and equipment, the difference between fiscal and planned depreciation is reported as an appropriation, and accumulated accelerated depreciation as untaxed reserves. A review of economic lives of buildings was carried out during the year. Since the maximum fiscal rate falls short of planned depreciation, a deferred tax asset arises. The company includes the deferred tax asset in its total recognised deferred tax liability.

Planned depreciation is based on an asset's cost and estimated economic life.

### The following depreciation rates were used:

Building fixtures and fittings	10% per year
Buildings	2–7% per year
In ground fixtures and fittings	5% per year
Land improvements	5% per year

### Buildings

Buildings in the Parent Company are recognised at cost less accumulated depreciation. Cost consists of the acquisition cost, land registration costs and value enhancing improvements. Only expenses that generate lasting value enhancement to a property are capitalised.

In conjunction with the review of the economic useful life as described in the Depreciation section above, the company is having all properties valued using the model described in Note 9 to the consolidated financial statements. If the value of a property thus estimated falls significantly below the carrying amount, an impairment loss is recognised for the property. No impairments were recognised in 2019. At 31 December 2019, the Parent Company's property holdings were valued at SEK 27,354 million (25,651).

### Plant and equipment

Plant and equipment in the Parent Company are reported at cost less accumulated depreciation and any impairment losses in the same way as for the Group, but with the addition of possible positive revaluations.

### Leased assets

According to exceptions in RFR 2 pertaining to leased assets, the Parent Company does not apply IFRS 16. All lease payments are expensed over the term of the leases based on their period of utilisation, which may differ from what has de facto been paid in lease payments during the year.

For further information, see Note 1 to the consolidated financial statements.

### Taxes

Untaxed reserves including deferred tax liabilities are recognised in the Parent Company. However, in the consolidated financial statements untaxed reserves are divided into deferred tax liabilities and equity.

### Group contributions and shareholder contributions for legal entities

The recipient recognises shareholder's contributions directly in equity and the donor capitalises contributions in shares and participations, to the extent that impairment is not required. A Group contribution received by the Parent Company from a subsidiary is recognised applying the same principles as customary dividends from subsidiaries and are recognised as financial income. Group contributions paid by the Parent Company to subsidiaries are recognised as an increase in the carrying amount of the participations in the subsidiary. No Group contributions were paid during 2019.

### IFRS 9 – Parent Company

The Parent Company applies the exception of not measuring financial guarantee commitments that benefit subsidiaries or associated companies pursuant to the rules under IFRS 9 and instead applies the measurement policies under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

### Financial risk management

For further information, see notes 6, 13, 17 and 20 to the consolidated financial statements.

**Note 2** Other income

	2019	2018
Invoiced energy and fuel expenses	73	67
Invoiced services	121	93
Invoiced services within the Group	9	7
Compensation received	0	5
Other	0	0
<b>Total</b>	<b>203</b>	<b>172</b>

**Note 3** Operating expenses

	2019	2018
Energy, fuel and water	147	142
Property operations	332	262
Property tax	48	40
Maintenance	82	87
<b>Total</b>	<b>609</b>	<b>531</b>

**Note 4** Central administration

	2019	2018
Payroll and other expenses	53	59
Depreciation of plant and equipment	3	2
<b>Total</b>	<b>56</b>	<b>61</b>

**Note 5** Auditors' fees

Refer to Note 5 to the consolidated financial statements.

**Note 6** Gain/loss on property sales

	2019	2018
Proceeds, properties sold	26	3
Book value, properties sold	-15	-2
Selling expenses	0	0
<b>Total</b>	<b>11</b>	<b>1</b>

**Note 7** Employees, payroll expenses and Board fees

Refer to Note 7 to the consolidated financial statements.

**Note 8** Net financial items

	2019	2018
Interest income, subsidiaries	5	5
Interest income, covered bonds	13	3
Other interest income	1	1
Investment gains	-	2
Changes in value on revaluation of financial derivatives	25	47
<b>Financial income</b>	<b>44</b>	<b>58</b>
Interest expenses, bonds	117	111
Other interest expenses	7	-9
Investment losses	36	34
Other financial expenses	16	16
Capitalisation of interest, projects in progress	-	-2
Changes in value on revaluation of financial derivatives	20	2
<b>Financial expenses</b>	<b>196</b>	<b>152</b>
<b>Net financial expense</b>	<b>152</b>	<b>94</b>

**Note 9** Appropriations

	2019	2018
Difference between book depreciation and depreciation according to plan:		
Plant and equipment	-13	0
Provision to tax allocation reserve	225	209
Reversal from tax allocation reserve	-177	-150
<b>Total</b>	<b>35</b>	<b>59</b>

**Note 10** Taxes

Recognised in profit or loss	2019	2018
Current tax expense	144	138
Deferred tax expense	-18	-51
<b>Total recognised tax</b>	<b>126</b>	<b>87</b>

**Reconciliation of effective tax**

Recognised EBT	582	613
Swedish income tax rate, 21.4% (22)	125	135
Tax-exempt income	0	0
Non-deductible expenses	0	0
Adjusted sale proceeds	0	0
Standard interest tax allocation reserve	1	1
Accumulated deferred tax, restated with an income tax rate of 20.6%	-	-49
	<b>126</b>	<b>87</b>

**Recognised in the balance sheet**

Liabilities		
Deferred tax liability	-706	-724
Current tax asset/liability	-7	5
<b>Total</b>	<b>-713</b>	<b>-719</b>

**Deferred tax assets and liabilities**

Financial assets	11	10
Capitalised maintenance expenses	-195	-163
Property depreciation, revaluation	-522	-571
<b>Total</b>	<b>-706</b>	<b>-724</b>

Deferred tax has been calculated with a tax rate of 20.6%.  
No deferred tax has been recognised in equity.

### Note 11 Appropriation of profits and dividend

The dividend paid to the shareholder in April 2019 totalled SEK 555,000,000 (SEK 560,000,000) and comprised an ordinary dividend, as defined in the dividend policy. The dividend per share was SEK 277.50 (280). Regarding the dividend for this year, the Board proposes that a dividend of SEK 285.00 per share be paid to the shareholder. A resolution will be taken by the shareholder regarding the dividend at the AGM. The dividend has not been taken up as a liability in the annual accounts. The dividend is estimated to total SEK 570,000,000.

#### Non-restricted equity, Parent Company:

Retained earnings	353,851,557
Net profit for the year	456,264,319
<b>Total</b>	<b>810,115,876</b>

#### The Board and CEO propose that earnings be appropriated as follows:

Dividend payable to the shareholder	570,000,000
To be carried forward	240,115,876
<b>Total</b>	<b>810,115,876</b>

### Note 12 Buildings, building fixtures and fittings, land, land improvements, in ground fixtures and fittings

<b>Buildings</b>	<b>2019</b>	<b>2018</b>
Opening cost	13,288	12,617
Purchases	-	4
Projects completed	475	477
Capitalised maintenance expenses	146	191
Sales and disposals	-33	-1
<b>Closing accumulated cost</b>	<b>13,876</b>	<b>13,288</b>
Opening depreciation	5,072	4,663
Sales and disposals	-25	-1
Depreciation for the year	465	410
<b>Closing accumulated depreciation</b>	<b>5,512</b>	<b>5,072</b>
Opening revaluations	4,274	4,274
Revaluations for the year	-	-
<b>Closing accumulated revaluations</b>	<b>4,274</b>	<b>4,274</b>
Opening depreciation on revalued amounts	599	467
Depreciation for the year on revalued amounts	132	132
<b>Closing accumulated depreciation on revalued amounts</b>	<b>731</b>	<b>599</b>
Opening impairment charges	94	94
Impairment charges for the year	-	-
<b>Closing accumulated impairment charges</b>	<b>94</b>	<b>94</b>
<b>Closing residual value according to plan</b>	<b>11,813</b>	<b>11,797</b>
Tax assessment value, properties in Sweden	3,103	3,000
<b>Building fixtures and fittings</b>		
Opening cost	1,160	881
Projects completed	52	279
Sales and disposals	-	-
<b>Closing accumulated cost</b>	<b>1,212</b>	<b>1,160</b>
Opening depreciation	734	639
Sales and disposals	-	-
Depreciation for the year	95	95
<b>Closing accumulated depreciation</b>	<b>829</b>	<b>734</b>
<b>Closing residual value according to plan</b>	<b>383</b>	<b>426</b>

<b>Land</b>	<b>2019</b>	<b>2018</b>
Opening cost	1,428	1,371
Purchases	-	57
Sales and disposals	-11	0
<b>Closing accumulated cost</b>	<b>1,417</b>	<b>1,428</b>
<b>Closing residual value according to plan</b>	<b>1,417</b>	<b>1,428</b>
Tax assessment value, properties in Sweden	1,690	977
<b>Land improvements</b>		
Opening cost	355	292
Projects completed	26	63
Sales and disposals	-	-
<b>Closing accumulated cost</b>	<b>381</b>	<b>355</b>
Opening depreciation	155	139
Sales and disposals	-	-
Depreciation for the year	18	16
<b>Closing accumulated depreciation</b>	<b>173</b>	<b>155</b>
<b>Closing residual value according to plan</b>	<b>208</b>	<b>200</b>
<b>In ground fixtures and fittings</b>		
Opening cost	399	353
Projects completed	16	46
Sales and disposals	-	-
<b>Closing accumulated cost</b>	<b>415</b>	<b>399</b>
Opening depreciation	170	151
Sales and disposals	-	-
Depreciation for the year	19	19
<b>Closing accumulated depreciation</b>	<b>189</b>	<b>170</b>
<b>Closing residual value according to plan</b>	<b>226</b>	<b>229</b>
<b>Total</b>		
Opening cost	16,630	15,514
Purchases	-	61
Projects completed	569	865
Capitalised maintenance expenses	146	191
Sales and disposals	-33	-1
<b>Closing accumulated cost</b>	<b>17,312</b>	<b>16,630</b>
Opening depreciation	6,131	5,592
Sales and disposals	-25	-1
Depreciation for the year	597	540
<b>Closing accumulated depreciation</b>	<b>6,703</b>	<b>6,131</b>
Opening revaluations	4,274	4,274
Revaluations for the year	-	-
<b>Closing accumulated revaluations</b>	<b>4,274</b>	<b>4,274</b>
Opening depreciation on revalued amounts	599	467
Depreciation for the year on revalued amounts	132	132
<b>Closing accumulated depreciation on revalued amounts</b>	<b>731</b>	<b>599</b>
Opening impairment charges	94	94
Impairment charges for the year	-	-
<b>Closing accumulated impairment charges</b>	<b>94</b>	<b>94</b>
<b>Closing residual value according to plan</b>	<b>14,047</b>	<b>14,080</b>
Tax assessment value, properties in Sweden	4,793	3,977
Fair value, properties in Sweden	27,354	25,651

For further valuation principle information, see Note 1 to the consolidated financial statements.

**Note 13** Construction in progress

	2019	2018
Opening balance	1,118	1,365
Accrued expenses for the year	997	809
Capitalised maintenance expenses	-146	-191
Projects completed	-569	-865
<b>Closing balance</b>	<b>1,400</b>	<b>1,118</b>

**Note 14** Plant and equipment

	2019	2018
Opening cost	27	25
Purchases	1	2
Sales and disposals	0	0
<b>Closing accumulated cost</b>	<b>28</b>	<b>27</b>
Opening depreciation	21	19
Sales and disposals	0	0
Depreciation for the year	3	2
<b>Closing accumulated depreciation</b>	<b>24</b>	<b>21</b>
<b>Closing residual value according to plan</b>	<b>4</b>	<b>6</b>

**Note 15** Financial assets

	2019	2018
Shares in subsidiaries	692	692
Other shares	1	0
Receivables from subsidiaries	565	596
Derivatives measured at FVTPL	51	32
CSA deposits	35	64
Covered bonds	819	926
Value-added tax for adjustment	3	6
<b>Total</b>	<b>2,166</b>	<b>2,316</b>

**Shares in subsidiaries 2019**

Subsidiary	Equity	Voting rights	No. of shares	Carrying amount, SEK thousand
Specialfastigheter Lejonet 11 AB	100%	100%	500	294,402
Specialfastigheter F-öarna 6 AB	100%	100%	1,000	281,609
Specialfastigheter Gärdet AB	100%	100%	50,000	116,131
Västrikke Fastighets AB (dormant company)	100%	100%	500	50
<b>Carrying amount of shares in subsidiaries 2019</b>				<b>692,192</b>

**Shares in subsidiaries 2018**

Subsidiary	Equity	Voting rights	No. of shares	Carrying amount, SEK thousand
Specialfastigheter Lejonet 11 AB	100%	100%	500	294,402
Specialfastigheter F-öarna 6 AB	100%	100%	1,000	281,609
Specialfastigheter Gärdet AB	100%	100%	50,000	116,131
Nordrike Fastighets AB (in winding-up process)	100%	100%	500	50
Västrikke Fastighets AB (dormant company)	100%	100%	500	50
<b>Carrying amount of shares in subsidiaries 2018</b>				<b>692,242</b>

**continued, Note 15** Financial assets**Shares, indirectly owned subsidiaries 2019**

	Equity	Voting rights	No. of shares	Carrying amount, SEK thousand
<b>Owned by Västrikte Fastighets AB</b>				
Västrikte 2 Fastighets AB (dormant company)	100%	100%	500	50
Säkerhetsfastigheter Sverige AB (dormant company)	100%	100%	500	50
<b>Carrying amount of shares in subsidiaries 2019</b>				<b>100</b>

**Shares, indirectly owned subsidiaries 2018**

	Equity	Voting rights	No. of shares	Carrying amount, SEK thousand
<b>Owned by Västrikte Fastighets AB</b>				
Västrikte 2 Fastighets AB (dormant company)	100%	100%	500	50
Säkerhetsfastigheter Sverige AB (dormant company)	100%	100%	500	50
<b>Carrying amount of shares in subsidiaries 2018</b>				<b>100</b>

**Information on company registration numbers and registered offices, 2019**

Subsidiary	Co. Reg. No.	Registered office
Specialfastigheter Lejonet AB	559077-3015	Linköping
Specialfastigheter F-öarna 6 AB	556661-1447	Linköping
Specialfastigheter Gärdet AB	556910-1370	Linköping
Västrikte Fastighets AB (dormant company)	556963-5187	Linköping
<b>Indirectly owned subsidiaries</b>		
Västrikte 2 Fastighets AB (dormant company)	556963-5179	Linköping
Säkerhetsfastigheter Sverige AB (dormant company)	556963-5161	Linköping
<b>Subsidiaries (winding up)</b>		
Nordrike Fastighets AB	556832-2290	Linköping

**Note 16** Current investments

	2019	2018
Derivatives measured at FVTPL	2	23
Covered bonds	302	-
<b>Total</b>	<b>304</b>	<b>23</b>

**Note 17** Current receivables

	2019	2018
Receivables from subsidiaries	5	5
Opening suspended VAT	49	22
Other receivables	1	0
<b>Total</b>	<b>55</b>	<b>27</b>

**Note 18** Prepaid expenses and accrued income

	2019	2018
Prepaid energy expenses	3	3
Other interim receivables	15	20
<b>Total</b>	<b>18</b>	<b>23</b>

**Note 19** Cash and cash equivalents

	2019	2018
Bank balances	1	12
<b>Total</b>	<b>1</b>	<b>12</b>

**Note 20** Untaxed reserves

	2019	2018
Accumulated difference between reported depreciation and depreciation according to plan	377	391
Tax allocation reserve	1,197	1,148
<b>Total</b>	<b>1,574</b>	<b>1,539</b>

**Note 21** Interest-bearing liabilities

Refer to Note 17 to the consolidated financial statements.

**Note 22** Other liabilities

	2019	2018
Customer advances	0	0
Trade payables	208	164
Derivatives measured at FVTPL	94	100
VAT	98	104
Other liabilities	2	3
<b>Total non-interest-bearing liabilities</b>	<b>402</b>	<b>371</b>

**Note 23** Accrued expenses and deferred income

	2019	2018
Deferred rental income	511	496
Accrued energy expenses	6	13
Accrued interest expenses	37	37
Accrued social-security expenses	3	2
Accrued holiday pay	10	9
Accrued payroll tax	3	3
Other items	6	10
<b>Total</b>	<b>576</b>	<b>570</b>

**Note 24** Related parties

Refer to Note 21 to the consolidated financial statements.

**Note 25** Pledged assets and contingent liabilities

	2019	2018
Pledged assets	None	None
Contingent liabilities	None	None

**Note 26** Events after the balance-sheet date

COVID-19 is ongoing and we cannot currently assess its future consequences. But based on the types of tenants and the financing we have, we do not currently deem it a major risk.

# Declaration by the Board

The consolidated financial statements and annual accounts have been prepared in accordance with the international accounting standards referred to in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards and good accounting practice and present a true and fair view of the position and results of the Group and the Parent Company.

The Administration Report for the Group and the Parent Company presents a true and fair overview of the activities, financial position and results of the Group and the Parent Company and describes material risks and uncertainties faced by the Parent Company and the companies contained in the Group.

The Board in its entirety also affirms, based on its best knowledge and conviction, the following:

- A sustainability report has been prepared in accordance with the Annual Accounts Act.
- The sustainability report includes no material misstatements or omissions and all information is in accordance with the contents of the annual accounts and the consolidated accounts.

Stockholm, 23 March 2020

Eva Landén  
*Chairman*

Åsa Hedenberg  
*CEO*

Carin Götblad  
*Board member*

Mikael Lundström  
*Board member*

Pierre Olofsson  
*Board member*

Erik Tranaeus  
*Board member*

Maj-Charlotte Wallin  
*Board member*

Åsa Wirén  
*Board member*

Tomas Edström  
*Employee Representative*

Erik Ydreborg  
*Employee Representative*

Our Auditor's Report was submitted on 23 March 2020  
Ernst & Young AB

Mikael Ikonen  
*Authorised Public Accountant, Ernst & Young AB*



# Auditor's report

To the general meeting of the shareholders of Specialfastigheter Sverige AB (publ), corporate identity number 556537-5945

## Report on the annual accounts and consolidated accounts

### Opinions

We have audited the annual accounts and consolidated accounts of Specialfastigheter Sverige AB (publ) except for the corporate governance statement on pages 61–67 and the statutory sustainability report on pages 50–57 for the 2019 financial year. The annual accounts and consolidated accounts of the company are included on pages 6–108 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent Company as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act.

Our opinions do not cover the corporate governance statement on pages 61–67 and the statutory sustainability report on pages 50–57. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts. We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group. Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

### Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibility sections. We are independent of the Parent Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### Key audit matters

Key audit matters of the audit are those matters that, in our professional judgement, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

### Valuation of investment properties

#### Description of key audit matter

- At 31 December 2019, the fair value of Specialfastigheter's properties amounted to SEK 29,037 million and the change in value to SEK 1,749 million. Unrealised changes in value amounted to SEK 746 million and realised changes in value totalled SEK 1,003 million. A description of the appraisal of the property holdings has been provided in Note 9.
- Each quarter, Specialfastigheter conducts an internal valuation of its entire property holdings and, moreover, in Q2 and Q4, control validations are performed by external appraisers of a number of properties. This means that in 2019, 77% of the market value, corresponding to 34 objects, were valued by external appraisers.
- The valuations are based on the return using cash-flow approach, which entails forecasting future cash flows. The required yield is assessed based on each property's unique risks and on market transactions completed for objects of a similar nature, since few directly comparable transactions occur. Changes in unobservable input data applied in the appraisals are analysed at each balance-sheet date by the company management against internally available information, completed or planned transactions as well as information from the external appraisers. Given the numerous assumptions and judgements that occur in connection with appraisals; we believe that this area should be considered a key audit matter.

#### How our audit addressed this key audit matter

- We have evaluated and examined the management's procedures for valuing properties through measures, including evaluating the appraisal method and appraisal input data. We have also carried out comparisons against known market data. With support from our valuation specialists, we have examined the company's internal valuation model. We have also examined, with our valuation specialists' support, the reasonableness of assumptions in terms of required yield, vacancy rate, rental income and operating expenses. We have assessed the appropriateness of the disclosures provided in the annual accounts.

### Other information than the annual accounts and the consolidated accounts

This document also contains other information than the annual accounts and the consolidated accounts and can be found on pages 1–5, 50–58 and 113–122. The Board of Directors and the Chief Executive Officer are responsible for this other information.

Our opinion on the annual accounts and the consolidated financial statements does not include this information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors and the Chief Executive Officer are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Chief Executive Officer are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Chief Executive Officer are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Chief Executive Officer intend to liquidate the company, to cease operations, or have no realistic alternative but to do so.

Among other tasks, the Audit Committee shall, without prejudice to the Board of Directors' responsibilities and tasks in general, oversee the company's financial reporting process.

### Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assur-

ance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Chief Executive Officer.
- conclude on the appropriateness of the Board of Directors' and the Chief Executive Officer's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

### Report on other legal and regulatory requirements Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Chief Executive Officer of Specialfastigheter Sverige AB (publ) for the 2019 financial year and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory Administration Report and that the members of the Board of Directors and the Chief Executive Officer be discharged from liability for the financial year.

### Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibility section. We are independent of the Parent Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the Group's type of operations, size and risks place on the size of the Parent Company's and the Group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organisation and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the Group's financial situation and ensuring that the company's organisation is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Chief Executive Officer shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

### Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Chief Executive Officer in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgement and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgement with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

**The auditor's examination of the corporate governance statement**

The Board of Directors is responsible for the preparation of the corporate governance statement on pages 61–67 in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement was conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A Corporate Governance Report has been prepared. Disclosures in accordance with Chapter 6 Section 6 the second paragraph points 2–6 of the Annual Accounts Act and Chapter 7 Section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

**The auditor's opinion regarding the statutory sustainability report**

The Board of Directors is responsible for the statutory sustainability report on pages 50–57, and that it is prepared in accordance with the Annual Accounts Act.

Our examination was conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

Ernst & Young, Jakobsbergsgatan 24, 111 44 Stockholm, was appointed auditor of Specialfastigheter Sverige AB by the general meeting of the shareholders on 12 April 2019 and has been the company's auditor since 19 April 2012.

Stockholm, 23 March 2020  
Ernst & Young AB

Mikael Ikonen  
Authorised Public Accountant

# Property holdings

Specialfastigheter owns and manages a total of 175 (176) properties across 98 (99) management units in three business areas.

	Number of buildings	Land area, sq m	Owned net floor area, sq m
Prison and Probation Service business area	510	8,422,273	402,523
Defence and Judicial System business area	29	523,825	417,365
Institutional Care and Other Special Operations business area	578	8,063,460	268,175
<b>Total:</b>	<b>1,117</b>	<b>17,009,558</b>	<b>1,088,062</b>

## Prison and Probation Service business area

	Property designation	Location	Municipality	Number of buildings	Land area, sq m	Owned net floor area, sq m
Halldalen	HALL 4:14, 4:3, 4:5	Södertälje	SÖDERTÄLJE	36	635,882	8,496
Asptuna	LINDHOV 15:19, 15:3	Norsborg	BOTKYRKA	18	125,582	4,828
Beateberg	KASSETTEN 1, VÄSTRA SKOGÅS 1:5	Trångsund	HUDDINGE	4	26,584	3,954
Borås	PROVAREN 2	Borås	BORÅS	7	55,720	5,558
Brinkeberg	RESTAD 3:13	Vänersborg	VÄNERSBORG	3	48,049	7,412
Fosie	FORNLÄMNINGEN 1	Malmö	MALMÖ	3	33,109	7,661
Färingsö	SVARTSJÖ 1:59	Svartsjö	EKERÖ	8	47,559	4,912
Gruvberget	GRUVBERGET 1:4-29, 1:31-34, 1:36-40, 2:1, 3:1, 5:2	Åmotsbruk	BOLLNÄS	32	106,054	4,511
Gävle	KÄLLÖ 46:1	Gävle	GÄVLE	5	40,113	7,805
Hall	Hall 4:15	Södertälje	SÖDERTÄLJE	16	588,803	27,803
Halmstad	EKETÅNGA 4:5	Halmstad	HALMSTAD	5	42,579	5,457
Haparanda	BOJAN 2	Haparanda	HAPARANDA	5	21,631	3,075
Helsingborg	KAVALLERISTEN 10	Helsingborg	HELSINGBORG	8	31,077	4,645
Hinseberg	HINSEBERG 1:8	Frövi	LINDESBERG	20	372,932	11,530
Huddinge	ROTORN 3	Huddinge	HUDDINGE	1	8,016	8,970
Hällby	TUMBO-BERGA 1:3, 1:5	Kvicksund	ESKILSTUNA	20	258,596	8,986
Högsbo	Högsbo 31:1	Västra Frölunda	GOTHENBURG	7	35,588	7,445
Kalmar	RAVELINEN 1	Kalmar	KALMAR	3	4,857	2,993
Karlskoga	SURPUSSEN 1	Karlskoga	KARLSKOGA	8	79,485	5,828
Kristianstad Vä	VÄ 147:3	Kristianstad	KRISTIANSTAD	6	43,019	7,068
Kumla	LÖVSÅNGAREN 1, 2	Kumla	KUMLA	31	520,310	47,019
Ljustadalen	FILLA 8:5	Sundsbruk	SUNDSVALL	4	37,555	1,371
Luleå	PORSÖN 1:401	Luleå	LULEÅ	4	27,085	3,738
Mariefred	GRIPSHOLM 4:4	Mariefred	STRÅNGNÄS	18	150,080	8,604
Norrtälje	SKOGEN 1	Norrtälje	NORRTÄLJE	16	191,228	18,581
Nya Saltvik	SALTVIK 2:64	Härnösand	HÄRNÖSAND	10	295,597	23,911
Nyköping	MODELLEN 1	Nyköping	NYKÖPING	3	23,144	6,464
Rödjan	MARIEHOLM 1:8	Mariestad	MARIESTAD	20	323,753	5,436

## Prison and Probation Service business area, cont.

	Property designation	Location	Municipality	Number of buildings	Land area, sq m	Owned net floor area, sq m
Sagsjön	ANNESTORP 4:74	Lindome	MÖLNDAL	9	60,000	3,639
Skenäs	Skenäs 1:19	Vikbolandet	NORRKÖPING	18	1,637,649	7,350
Skogome	Skogome 2:2	Hisings Backa	GOTHENBURG	14	275,307	12,926
Skänninge	ÖSTANÅ 6	Skänninge	MJÖLBY	14	146,508	16,371
Storboda	ROSERSBERG 2:7	Rosersberg	SIGTUNA	6	88,466	6,536
Svartsjö	SVARTSJÖ 1:60	Svartsjö	EKERÖ	9	47,688	4,733
Svartsjö Bostäder	SVARTSJÖ 1:60, PART OF	Svartsjö	EKERÖ	7	7,000	909
Sörbyn	SÖRBYN 9:2	Hörnefors	UMEÅ	22	861,265	8,770
Tidaholm	RAMSTORP 4:10	Tidaholm	TIDAHOLM	17	277,255	15,315
Tillberga	HUBBO-SÖRBY 9:48	Västerås	VÄSTERÅS	8	64,251	13,502
Tygelsjö	PILE 1:7, 1:10	Tygelsjö	MALMÖ	18	120,662	10,489
Täby	RÖNNINGE 3:4	Täby	TÄBY	3	25,288	4,286
Umeå	TEGLET 1	Umeå	UMEÅ	4	38,034	4,039
Ystad	TERMOSTATEN 1	Ystad	YSTAD	7	59,550	8,198
Åby	FUNBO-ÅBY 9:1	Uppsala	UPPSALA	25	134,363	5,026
Österåker	PRÄSTGÅRDEN 1:11	Åkersberga	ÖSTERÅKER	8	405,000	16,372
<b>Total, Prison and Probation Service</b>				<b>510</b>	<b>8,422,273</b>	<b>402,523</b>

## Defence and Judicial System business area

	Property designation	Location	Municipality	Number of buildings	Land area, sq m	Owned net floor area, sq m
Bergnäset Luleå	BERGNÄSET 3:53	Luleå	LULEÅ	4	22,000	3,949
FOI Umeå	ARMERINGEN 1	Umeå	UMEÅ	4	290,535	13,575
Formgivaren	FORMGIVAREN 1	Solna	SOLNA	1	9,169	34,967
Färöarna	FÄRÖARNA 6	Kista	STOCKHOLM	1	6,559	24,658
Högkvarteret	KAVALLERISTEN 3	Stockholm	STOCKHOLM	4	24,610	40,958
Kolpenäs	KOLPENÅS 1:9	Södertälje	SÖDERTÄLJE	0	4,028	0
Kristallen	KRISTALLEN 2	Lund	LUND	1	2,647	10,423
Kronoberg	KRONOBERG 18	Stockholm	STOCKHOLM	7	42,358	163,000
Lejonet	LEJONET 11	Luleå	LULEÅ	2	10,596	21,800
Rådhuset	FRUKTKORGEN 1	Stockholm	STOCKHOLM	1	13,595	22,765
Tegeludden	TEGELUDDEN 8	Stockholm	STOCKHOLM	1	3,504	14,812
Tre Vapen	TRE VAPEN 4	Stockholm	STOCKHOLM	3	94,224	66,458
<b>Total, Defence and Judicial System</b>				<b>29</b>	<b>523,825</b>	<b>417,365</b>

## Institutional Care and Other Special Operations business area

	Property designation	Location	Municipality	Number of buildings	Land area, sq m	Owned net floor area, sq m
Flygvapenmuseum	MALMEN 2:8	Linköping	LINKÖPING	5	71,853	17,296
Håga	HALL 4:4, 4:7, 4:8, 4:10, 4:12, 4:13, TYSSLINGE 1:30, 1:31	Södertälje	SÖDERTÄLJE	10	174,795	5,614
RPK Gothenburg	BACKA 866:772	Hisings Backa	GOTHENBURG	1	25,417	4,462
Räddningsskolan Revinge	REVINGE 1:14	Södra Sandby	LUND	22	472,000	17,912
Räddningsskolan Sandö	SANDÖ 1:4, 1:5, 2:5	Sandöverken	KRAMFORS	38	433,348	30,830
Bergsmansgården	BROTORP 1:7	Fjugesta	LEKEBERG	7	21,400	3,452
Björkbacken	BERGSJÖN 21:1	Gothenburg	GOTHENBURG	5	18,680	2,906
Brättegården	BRÄTTE 1:2	Vänernborg	VÄNERSBORG	17	98,300	4,622
Bärby	FUNBO-BROBY 1:3	Uppsala	UPPSALA	22	191,907	8,016
Ekebylund	EKEBY 5:4	Rosersberg	SIGTUNA	10	12,180	2,289
Eknäs	Eknäs 2:2	Enköping	ENKÖPING	12	65,870	4,592
Fagared	FAGERED 3:1	Lindome	MÖLNDAL	15	378,805	7,029
Folåsa	FÅLÅSA 12:1	Vikingstad	LINKÖPING	19	153,604	7,535
Fortunagården	LÄKAREN 2	Värnamo	VÄRNAMO	5	19,043	1,901
Granhult	GRANHULT 2:4	Ramsberg	LINDESBERG	9	37,222	2,161
Gudhem	GUDHEM 12:3, HOLMÄNGEN 7:1	Gudhem	FALKÖPING	18	217,084	10,740
Hessleby	HÄSSLEBY 2:2	Mariannelund	EKSJÖ	13	500,060	7,189
Hornö	HORNÖ 1:1, 1:8	Enköping	ENKÖPING	16	398,223	4,024
Hässleholm	FRIDHEM 9	Hässleholm	HÄSSLEHOLM	2	16,116	1,194
Johannisberg	GRYTNÄS 2:1	Kalix	KALIX	9	127,625	5,253
Karlsvik	BOSJÖKLOSTER 1:716	Höör	HÖÖR	13	96,879	3,606
Klarälvsgården	ORRETORP 2:2	Deje	FORSHAGA	6	243,800	2,590
Ljungaskog	LJUNGASKOG 15:28	Örkelljunga	ÖRKELLJUNGA	13	281,202	4,985
Ljungbacken	GRÄSKÄRR 1:1	Uddevalle	UDDEVALLA	23	272,091	7,623
Lunden	KLOSTERGÅRDEN 2:10	Lund	LUND	1	26,391	4,621
Långanäs	LÅNGANÄS 1:1	Eksjö	EKSJÖ	30	434,995	8,946
Lövsta	LÖVSTA 1:33	Vagnhärad	TROSA	36	498,222	8,940
Nereby	NEREBY 1:1	Härestad	KUNGÄLV	19	162,660	4,076
Perstorp	UGGLAN 1	Perstorp	PERSTORP	4	4,264	1,000
Rebecka	TROXHAMMAR 8:2	Skå	EKERÖ	23	220,995	6,564
Renforsen	DEGERFORS 38:9, SLAKTAREN 1	Vindeln	VINDELN	7	34,098	3,332
Runnagården	KRUSBÄRSBUSKEN 10	Örebro	ÖREBRO	12	77,522	4,198
Ryds Brunn	RYD 1:143	Ryd	TINGSRYD	7	21,620	4,852
Rällsögården	DAMMEN 1:11-15, 1:37, 3:1, 3:2, RÄLLSÖN 1:1-4	Kopparberg	LJUSNARSBERG	19	1,297,250	6,602
Råby	STORA RÅBY 32:6, 32:21, 32:23	Lund	LUND	4	0	3,770
Stigby	STIGBY 1:9, 7:3	Visingsö	JÖNKÖPING	18	78,146	7,215
Sundbo	SUNDBO 7:106, 7:107, 7:109, 7:63	Fagersta	FAGERSTA	29	385,423	9,630
Vemyra	VEMYRA 3:1, 3:2	Sollefteå	SOLLEFTEÅ	11	173,400	4,293
Älvgården	YTTERNORA 2:6, 2:7	Hedemora	HEDEMORA	20	75,600	6,995
Östfora	ÖSTFORA 1:30	Järlåsa	UPPSALA	10	112,790	3,633
Öxnevalla	BRÄNNARED 2:3	Öxnevalla	MARK	16	114,641	6,681
Åstorp	BULTEN 2	Åstorp	ÅSTORP	2	17,939	5,007
<b>Total, Institutional Care and Other Special Operations</b>				<b>578</b>	<b>8,063,460</b>	<b>268,175</b>

## Definitions

Specialfastigheter presents certain alternative performance measures (APMs) in interim reports and annual reports that are not defined according to IFRS: The company believes that these APMs provide valuable supplementary information to investors and the company's management when evaluating the company's earnings and financial position. Because all companies do not calculate financial measurements the same way, these are not always comparable with those APMs used by other companies. Amounts are given in SEK million.

### Financial key performance indicators

#### Adjusted return on equity, %

Net profit/loss, after add-back of changes in value and associated deferred tax, in relation to average equity. Return on equity is used to illustrate the ability to generate profit on the owner's capital and is one of the company's overall strategic targets.

#### Average fixed-interest period, years

Average remaining term until re-fixing interest rates for interest-bearing liabilities, derivatives, cash and cash equivalents including interest-bearing liquid investments. The average fixed-interest period is used to illustrate interest-rate risk.

#### Average interest rate, %

Average interest rate for interest-bearing liabilities, derivatives, cash and cash equivalents including interest-bearing liquid investments. Average interest rate is used to illustrate financial risk.

#### Average loan-to-maturity, year

Average remaining time until maturity for interest-bearing liabilities, derivatives, cash and cash equivalents including interest-bearing liquid investments with respect to guaranteed loan commitments. Average loan-to-maturity is used to illustrate the company's refinancing risk.

#### Equity/assets ratio, %

Adjusted equity on the balance-sheet date as a percentage of total assets. The equity/assets ratio is used to illustrate financial stability and is one of the company's overall strategic targets.

#### Interest coverage ratio, cash-flow based

Profit/loss before tax after adding financial expenses, changes in value and gains/losses from property sales, divided by financial expenses excluding changes in value of financial derivatives. Interest coverage ratio is used to illustrate the sensitivity of earnings to changes in interest rates.

#### Loan-to-value ratio, %

The interest-bearing net loan liabilities (that is, interest-bearing liabilities less cash and cash equivalents and interest-bearing investments) in relation to the fair value of investment properties at the end of the period. The loan-to-value ratio is used to illustrate financial risk.

#### Net operating income, SEK million

Income from property management less property expenses. Net operating income is used to illustrate the earning capacity of investment properties.

#### Profit from property management, SEK million

This is calculated as the sum of net operating income, administrative expenses and net financial items. Profit from property management is used to illustrate earning ability after taking into consideration funding costs and administration.

#### Return on equity, %

Net profit for the period in relation to average equity. Return on equity is used to illustrate the ability to generate profit on the owner's capital.

#### Return on total capital, %

Net profit for the year plus financial expenses in relation to average total assets. Return on total capital is used to illustrate the ability to generate profit on the assets after excluding any effects from financing.

#### Yield, %

Net operating income divided by the average fair value of investment properties. Yield is used to illustrate the earning capacity of investment properties in relation to the fair value of investment properties.

### Property related key performance indicators

#### Equity, SEK million

Recognised equity. Equity is used to describe the owner's capital.

#### Net floor area (NFA), sq m

Estimated lettable floor space in square metres.

#### Occupancy rate, %

Total floor space of let premises in relation to total lettable floor space.

#### Rent per sq m, SEK

Annual rent divided by the lettable floor space in square metres at the end of the year.

#### Secure facilities

Properties that have been adapted for operations with specific security requirements in terms of operational, personal, information or physical security.

#### Surplus ratio, %

Net operating income divided by income from property management. Surplus ratio is used to illustrate how large a portion of rental income remains after property expenses, in %

### Sustainability key performance indicators and definitions

#### Carbon dioxide, CO<sub>2</sub>

When fossil fuels are burned, carbon dioxide – a greenhouse gas – is released.

#### CO<sub>2</sub> emissions, tons

We report CO<sub>2</sub> emissions from energy purchased for our properties such as electricity, district heating and how large a proportion is not renewable; biofuel, electric heating, bio oil, oil and gas.

#### Green appendices

Specialfastigheter's green appendices (also known as green leases) are a standardised template developed by the Swedish Property Federation for reducing the environmental impact from premises. The agreement sets out the landlord's responsibilities, the tenant's responsibilities and shared responsibilities, and details the measures agreed by the landlord and tenant to reduce environmental impact through information and collaboration in terms of energy and indoor environment, material selection and waste management.

#### Green bonds

Bonds intended to finance environmentally sustainable projects. Our framework is based on the Green Bond Principles.

#### Greenhouse gases

Greenhouse gases is an umbrella term for many different gases that increase the greenhouse effect.

#### Whistle-blower function

A function that can be used by employees or external parties to anonymously report suspicions of irregularities or other unsatisfactory conditions.



## Reporting calendar

Interim report January–March 2020  
21 April 2020

Interim report January–June 2020  
10 July 2020

Interim report January–September 2020  
21 October 2020

## Annual General Meeting

21 April 2020, 11 a.m.,  
World Trade Center  
Klarabergsviadukten 70  
Stockholm

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