

Annual Report 2021

Welcome back



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Hotelism by Pandox

The science of creating value in hotels

Hotelism is the philosophy of how to create and safeguard value in hotel properties through profitable and sustainable hotel operation. Hotelism is based on a pure focus on hotel properties, knowledge advantage through analysis and insights, active ownership together with strong hotel operators, free movement through the hotel value chain, risk management through diversification, an industrial and long-term perspective on value creation, as well as a business culture characterised by curiosity and fun.

Pandox's business model has proved to be resilient even during the challenges presented by the Covid-19 pandemic. In this Annual Report we will guide you through the past year, how the hotel market is doing and how Pandox operates in it based on our strategy, business model and priorities.

Enjoy reading it.

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Hotelism by Pandex

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Strategy and operations

Pandex's business concept is to acquire, improve and lease out hotel properties to strong hotel operators under long-term, revenue-based leases and apply specialist expertise to be an active owner, creating value throughout the hotel value chain. Pandex's vision is to be one of the world's leading hotel property companies.



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A leading hotel property company

Pandox owns and leases out hotel properties to leading hotel operators. Since it was founded in 1995 Pandox has purposefully built a pan-European business platform with a property portfolio worth just over SEK 60 billion, which is around a hundred times more than when the Company was started. Pandox is active throughout the hotel value chain and the goal is to offer the most attractive platform for hotel operations.



Pan-European position

Pandox is a pan-European property company specialising in hotel properties. Pandox owns 157 properties in 90 cities that hotel operators lease and operate hotels in.

High-quality portfolio

Pandox has a diversified portfolio of large hotel properties occupied by high-quality full-service hotels. The hotels have strong locations in their submarkets and are mainly in the mid-range to premium segments.

World class network

Pandox's property portfolio has a good mix of geographical markets, hotel operators, brands and types of demand, which creates stability. A world-class network constantly creates new business opportunities.

Expertise and active ownership

Pandox is an active owner with in-depth knowledge and experience of all operating models that exist in the hotel market. The core business consists of revenue-based leases, but Pandox may also run hotels itself in properties that the Company owns.

Green hotel properties

Pandox is aiming to offer green hotel properties. The Company's green investment programme and BREEAM certification are important elements in efforts to reduce the Company's climate footprint.

Key ratios 2021

PROPERTY VALUE

MSEK **62,596**

157 hotels

15 countries

NET OPERATING INCOME

MSEK **2,005**

35,372 hotel rooms

6 BREEAM certifications

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In memory of Anders Nissen

Pandox CEO
1995–2021

Tragically, Pandox's former CEO Anders Nissen died on 30 May 2021. This is both profoundly sad and an indescribable loss.

Anders had a big heart and a genuine interest in encouraging the people around him to grow. He was unafraid, honest and a great source of inspiration. We have lost an exceptional leader, a valued colleague and, above all, a dear friend.

Anders Nissen served as CEO for Pandox from 1995 to 2021 and under his watch the Company developed into one of the leading hotel property companies in Europe. We intend to continue building on what he achieved for this fantastic company in loving memory of Anders.



A foundation in memory of Anders

Anders put his heart and soul into his clubs and associations, and saw himself first and foremost as a sports manager and coach. Sport was where he found inspiration for his leadership style. Somewhat jokingly, he regarded his job as CEO of a listed company as his plan B after he didn't make the national handball team. But Anders' experience in the corporate world would also help to develop and strengthen Swedish handball in many different ways. Breadth was important to Anders, but excelling at something was crucial.

This was the starting point when the M9 foundation in his name was founded on 2 November 2021 based on donations from Pandox and Ulla Nissen.

The purpose of the foundation is to promote Swedish handball. Among the ways it will do this is by supporting and contributing to innovation in leadership and talent development – particularly at the elite level – and by developing knowledge, quality and a business approach.

 [Read more on the foundation's website, www.stiftelsenm9.se](http://www.stiftelsenm9.se)
(in Swedish)



Positive market signals

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2021 had a very weak start due to government restrictions remaining in place, which limited demand in the hotel market. As vaccination programmes were successfully rolled out, restrictions were gradually eased, resulting in a very strong recovery in the second half of the year, driven mainly by domestic leisure travel.

(Q1) A restriction-laden quarter

The first quarter develops in the same way as 2020 ended. Extensive restrictions in all of Pandox's markets result in demand for hotel rooms remaining very low.



Vaccination programmes get under way around the world and provide hope that societies can get Covid-19 under control.

Pandox continues to work on its strategic framework *Respond, Restart, Reinvent* to manage the effects of the pandemic, plan for recovery and understand how the hotel market may change.

Pandox's total revenue and net operating income decrease by 41 and 34 percent respectively in the quarter compared with the corresponding period in 2020.

(Q2) Cautious optimism



The second quarter is defined by the death of Pandox's then CEO Anders Nissen on 30 May. The Board appoints CFO Liia Nõu as acting CEO.

Hotel demand increases in all markets in the second quarter, but development in April and May is still weak due to extensive restrictions.

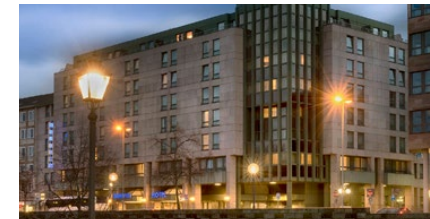
The UK is clearly the bright spot during the quarter. There is strong improvement in hotel demand after many restrictions are lifted on 17 May.

Pandox's total revenue and net operating income increase by 19 and 32 percent respectively compared with the corresponding period in 2020.

32%
INCREASE IN NET
OPERATING INCOME

(Q3) A hotel market on steadier ground

Hotel demand increases in all of Pandox's markets in the third quarter, supported by strong domestic leisure travel and increased business travel.



On 31 August Pandox takes over operation of a hotel property in Nuremberg and initiates a large-scale investment of around MEUR 20.

The hotel market in domestic and regional cities develops the best. The UK is once again the brightest shining star, but the Nordic countries, particularly Denmark, also develop well.

Pandox's total revenue and net operating income increase by 18 and 17 percent respectively compared with the corresponding period in 2020.

(Q4) Earnings continue to improve

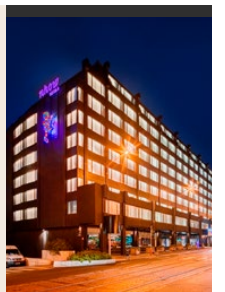
Pandox's Hotel Market Day is held on 23 November under the theme "The big follow-up" and explores global trends before and after Covid-19 and what they mean for the hotel sector.



Pandox signs a new lease with Motel One for h27 in central Copenhagen. The lease is revenue-based with a minimum rent level and expires in 20 years.

Pandox acquires Aparthotel Adagio Edinburgh Royal Mile. This centrally located apartment hotel has 146 rooms. The total transaction value is around MGBP 40.5.

Pandox's total revenue and net operating income increase by 42 and 37 percent respectively in the fourth quarter.



Stable earnings despite the pandemic

Throughout the Covid-19 pandemic Pandox has reported positive cash earnings in each individual quarter, which clearly demonstrates the resilience of the business model in difficult times.

The Group's total revenue amounted to MSEK 3,273 (3,178).

Total net operating income amounted to MSEK 2,005 (1,850).

EBITDA amounted to MSEK 1,868 (1,699), an increase of 10 percent.

Profit before changes in value amounted to MSEK 542 (458), an increase of 18 percent.

Unrealised changes in value amounted to MSEK -368 (-1,779) for investment properties.

At the end of the year **liquid funds and unutilised credit facilities** amounted to MSEK 3,576 (5,221).

Profit for the period amounted to 609 (-1,408).

Earnings per share amounted to SEK 3.32 (-7.61).

TOTAL NET OPERATING INCOME

MSEK **2,005**

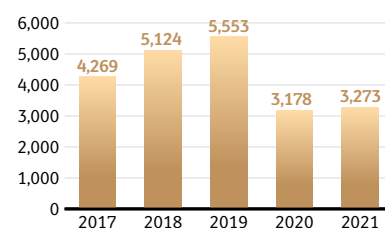
CASH EARNINGS

MSEK **712**

LOAN-TO-VALUE RATIO, NET

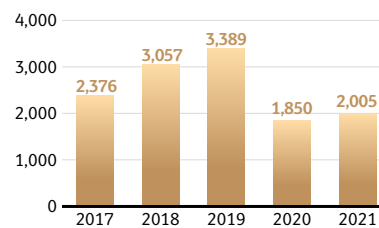
49.8%

Total revenue, MSEK



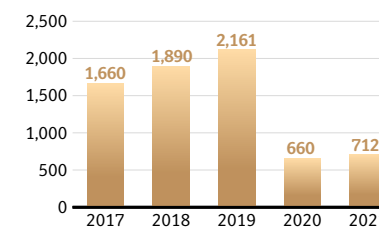
Net sales amounted to MSEK 3,273 (3,178). For comparable units, net sales increased by 7 percent adjusted for currency effects.

Total net operating income, MSEK



Total net operating income amounted to MSEK 2,005 (1,850), an increase of 8 percent.

Total cash earnings, MSEK



Total cash earnings amounted to MSEK 712 (660), an increase of 8 percent.

Key ratios, financial

MSEK	2021	2020	Change, %
Revenue, Property Management	2,422	2,399	1
Revenue, Operator Activities	851	779	9
Net operating income, Property Management	2,027	2,018	0
Net operating income, Operator Activities	-22	-168	N/A
EBITDA	1,868	1,699	10
Profit for the year	609	-1,408	N/A
Earnings per share, SEK ¹⁾	3.32	-7.61	N/A
Cash earnings	712	660	8
Cash earnings per share, SEK ¹⁾	3.88	3.64	7
Net interest-bearing debt	31,159	29,007	7
Loan-to-value ratio, properties, %	49.8	48.7	N/A
Interest coverage ratio, times ²⁾	2.1	2.0	N/A
Market value, properties	62,596	59,542	5
EPRA NRV per share, SEK	173.54	167.60	4 ³⁾

¹⁾ For information on the number of shares, see page 34.

²⁾ For more information, see page 129.

³⁾ Measured as growth in EPRA NRV, annual rate. See key ratios on page 130.

KPIs, sustainability

	2021	2020	Change
Number of BREEAM certified properties	6	3	100%
Renewable energy, %	41	38	3 p.p
Employee satisfaction, %	78	81	-3 p.p
Energy intensity, kWh/sq m	204	-	N/A

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The big follow-up

Pandox held its annual Hotel Market Day on 23 November 2021. The theme this time was “The big follow-up” which was explored based on four dimensions: the world, cities, the hotel market and hotel products.

“This crisis is a good opportunity to create positive change”

Ian Goldin, Professor of Globalisation and Development at the University of Oxford, recently published a book called “Rescue: From Global Crisis to a Better World”. Goldin was interviewed by moderator Jan Wifstrand.



Can you tell us a little bit about your new book, Rescue?

“In this book I wanted to investigate how we can create a better and more sustainable world in the coming years and decades after the pandemic. Because despite all the suffering this tragic event has caused, I believe that there is a lot of hope out there and that it is really a great opportunity for change.”

Can you elaborate on that?

“I compare this era to what happened as a result of the Second World War. In the midst of it, while the bombs were falling, Churchill and Roosevelt resolved to never let this happen again. And as a result, the UN, the Marshall Plan, the seeds of current Europe were created. But another interesting thing was that, when the war ended, Churchill

“We are seeing a new transparency in business”

immediately lost power. People were hungry for change, and I think that will also be the case after this crisis.”

In what you’re saying, I discern a dislike of “business as usual” after the pandemic. Am I correct?

“Well, both yes and no. Some part of the business does of course need to get back to how it was. But so much also needs to change. The recent climate meeting is a sign of change in the right direction. We are also seeing the glaring light of a new transparency in business. Shareholders want to know what the leaders are doing to a much greater extent than before.

Since I am also part of many investment committees, I know from personal experience that companies now spend a lot of time doing ESG, which they really didn’t do only five years ago. So, yes. I do not, for example, like the term ‘bouncing back’, because it implies that we are getting back to the same spot as before when we instead need to think anew.”

What will the cities of the future look like?

Leo Johnson, Partner and Disruption Lead at PwC UK, joined us at our Hotel Market Day via video link from London to talk about how technological development will affect cities and the way people live in them.

What are your thoughts on the future of cities?

“It is clear that big changes are ahead of us. The old cities of mass production that we grew up in are rapidly falling apart. We’ve got these huge megatrends that we see across the globe, like increased protectionism, increased migration, hiked interest rates and increased government debt. All this is putting enormous pressure on societies.”

Which cities do you think will be the most dynamic in the future?

“The city should be dynamic, like a meetingplace and melting pot for development and not simply a place for commerce. It should be a place where there is an ecosystem of innovators. The dynamic cities of the future are the ones that are able to use technology to make people meet and come together.”



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What will change after the pandemic?

“The pandemic has made people change careers, and many will not return”

Andreas Scriven, Head of Hospitality & Leisure at Deloitte, joined the Hotel Market Day to talk about economic changes in the hospitality and hotel industries. He shared some valuable insights from Deloitte’s polls:



When is corporate business travel coming back?

“Surveys among executives with responsibility for travel spending shows some uncertainty. A majority think that they will be back at the 2019 spending levels before the fourth quarter of 2022. However, there are also some that answer that technology has replaced the need to travel for work.”

Staffing problems a major concern

“The pandemic has made people change careers, and many will not return. This is also part of a bigger demographic trend that will pose a big problem to the industry. There is a real risk of a labour market crisis in the hospitality industry.”

Six future trends that will influence the hotel market

Chris Sanderson and Kathryn Bishop from The Future Laboratory talked about the future trends that will dominate the hospitality industry in the years to come.

- 1. Slow travel.** More and more companies are offering services aimed at mindful and ecoconscious travel.
- 2. Extreme excursions.** More travellers will be looking for something challenging during their travels, particularly in sport and fitness.
- 3. Post-conscious travel.** Travellers increasingly want to contribute to the local culture as part of their interest in doing good.
- 4. Wandering workers.** More people are going to want to blend work and leisure, with the result that they stay longer in one location.
- 5. Data driven.** Data will enable better predictions about what travellers want.
- 6. Ephemeral hotels.** Greater demand for flexible and temporary setups offers an opportunity to attract high-spending customers who want an exclusive, nomadic lifestyle.



“Things will get back very much to normal”

The day ended with a panel discussion between Pandox CEO Liia Nõu, Robin Rossmann (Managing Director of STR International) and Ruslan Husry (Managing Director and founder of HR Group).

Robin Rossmann believes it is clear that there will be changes as a consequence of the pandemic, but that they will not have a big impact immediately. More meetings will be held digitally and some people have moved away from cities, but he thinks that things will get back very much to normal after the pandemic.



One of the lessons Ruslan Husry has learnt from the pandemic is that it is important to be prepared for the worst, but also to continue operations even when things look bleakest. Not to be afraid to continue cooperation is also an important lesson Husry has learnt.

Liia Nõu has two main learnings from the pandemic. The first is that the way a company manages its crisis is dependent on how well prepared it was beforehand. The other is the importance of making decisions based on fact, not fear. Pandox’s data-driven decision process has helped the Company over the past two years.

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Onwards and upwards

2021 was a year with many faces. Covid-19 and government restrictions had a very negative impact on the first part of the year. In the later part of the year there was strong recovery in the hotel market thanks to vaccination programmes, eased restrictions and pent-up travel demand among both leisure and business travellers. Total revenue amounted to MSEK 3,273 and total net operating income to MSEK 2,005, representing an increase of 7 and 8 percent respectively compared with 2020.

I was appointed CEO of Pandox on 23 August after our former CEO Anders Nissen passed away tragically on 30 May. I had the privilege of working with Anders in my capacity as CFO for almost 15 years. I feel deep sorrow over losing him – both as a colleague and a friend. What Anders did for Pandox and the hotel industry cannot be overstated.

I feel very proud of the confidence the Board has shown in me and I am greatly motivated to continue to develop this strong company. Although I have worked at Pandox for a long time, I am seeing our strengths with new eyes in my new role. Our business model is well-proven in both good and bad times, and we have a unique, well-established strategy and a deeply united organisation with highly competent and enterprising employees. Despite the pandemic and the loss of Anders Nissen, I feel optimistic about the future.

“My goal is to maximise value growth”

Unique strategy remains in place

Pandox has a clear strategy of long-term ownership and of leasing out hotel properties in attractive locations. We partner with strong operators with well-known brands in revenue-based leases – often with a minimum rent level – under which we share both upsides and downsides, and have a joint incentive to develop each individual hotel product.

Pandox’s portfolio boasts various dimensions of diversification – we have 157 hotel properties in 15 countries and 90 cities, and broad exposure to most segments of demand in the hotel market. Our ambition is to continue to develop this unique position and constantly optimise and diversify our hotel property portfolio into new segments and new types of demand.

My goal is to maximise value growth and I will leave no stone unturned to achieve this.



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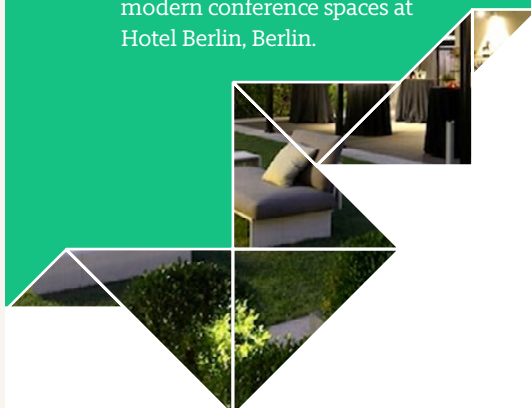
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Focus on the future

Value creation despite the pandemic

Thanks to Pandox's considerable platform of hotel properties and partnerships throughout Europe, attractive opportunities to invest in our existing portfolio are always arising. They include investments in renovation, new rooms, expansion or to improve energy efficiency. In 2021, despite the uncertain situation, Pandox invested around MSEK 1,000 in projects to boost future growth.

Examples from the year include a major expansion of Scandic Luleå, vitalisation and rebranding of DoubleTree by Hilton Brussels City, renovation of nhow Brussels Bloom and the creation of ultra-modern conference spaces at Hotel Berlin, Berlin.



Weak start – stronger finish

We have now lived with Covid-19 for just over two years. It is still too early to say what long-term effects the pandemic will have on the world and on the hotel industry, but a few short-term impacts are very clear. The most obvious one is that demand in the hotel market is determined to a high degree by government restrictions. The tougher the restrictions, the lower the hotel demand, and vice versa.

The first half of 2021 continued in the same vein as 2020 ended, with high infection rates and extensive restrictions in all of Pan-

dox's markets. As a result, hotel demand remained very low and Pandox's revenue consisted mainly of contractual minimum rents and fixed rents within Property Management. The closer we got to the summer, and with successful vaccination programme rollouts in our markets, the stronger the hotel market recovery was, with domestic leisure travel as the clear leader.

Occupancy was particularly high in attractive leisure destinations such as Kalmar, Lübeck och Brighton. The brightest shining star in the recovery was without exception the UK which, by May 2021, had already lifted most of its restrictions and was rewarded by higher economic activity and rising occupancy rates in the hotel market.

As the holiday period came to an end we saw a growing positive trend in business travel, initially driven by small conferences. As the autumn progressed there was a clear trend of

both large and small conferences being booked, particularly in domestic and regional cities. However, the spread of the Omicron variant in late autumn slowed the recovery.

Several Nordic regional cities had overall higher occupancy in the beginning of the autumn 2021 than in the same period in 2019. Occupancy in international cities also rose, albeit from low levels.

Promising acquisition concludes the year

On 21 December we announced our acquisition of Aparthotel Adagio Edinburgh Royal Mile. This apartment hotel has 146 rooms and is strategically and centrally located in one of the UK's most attractive hotel markets with well-diversified demand and very good RevPAR levels. The acquisition gives Pandox exposure to the extended stay segment, a segment of our portfolio that we hope to be able to grow over time.

A clear game plan in a difficult situation

Throughout the pandemic Pandox has worked in a structured way within three areas: **Respond** – Steps to help alleviate the acute crisis **Restart** – Plan for recovery **Reinvent** – Create insights into how the hotel market will change

We invested the most time in Respond, but as societies opened up and people started



wanting to stay at hotels again, Restart became a bigger focus. Reinvent is something that Pandox has always prioritised and our focus on it intensified after the pandemic broke out.

Effective business model in tailwinds and headwinds

We have known for a long time that Pandox's business model – particularly our revenue-based leases with minimum rent levels – is effective in good times. Now the business model has shown its resilience during a pandemic too. Thanks to contractual minimum rents and fixed rents equivalent to around MSEK 1,900 annually, we have been able to generate positive cash earnings every quarter since Covid-19 hit in February 2020. This has enabled us to retain our strong financial position, which has in turn allowed us to make growth-driving investments in our existing portfolio and to offer our business partners better payment terms in the difficult situation created by the pandemic. We are therefore coming out of 2021 stronger, in the knowledge that our business model delivers in all situations.

Sustainability is increasingly important

In 2021 we made several strategic and business-critical decisions regarding our sustainability work. We added expertise in this area to our executive management team to ensure that sustainability is incorporated throughout Pandox's hotel property portfolio. We also decided to start a process of climate resilience analysis to determine the resilience of our properties and to make any necessary action plans. This is a long-term effort that will

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continue in 2022. Pandox continues to support the UN Global Compact and its Ten Principles, and we submitted our third Communication on Progress in 2021. The green investment programme for our own operations is proceeding according to plan and we are also planning a second investment programme. These programmes combined are aimed at developing the properties in line with the Paris Agreement.

During the year, two of the properties we operate ourselves were certified according to BREEAM at the Very Good level. A further seven properties will be certified in the first half of 2022.

Strong corporate culture leads the way

Witnessing the ordeals that all Pandox's employees have gone through over the past two years – in both their personal and professional lives – has each day made me feel more and more proud of being part of this company. It is an honour to share my days at work with so many talented, driven and team-oriented colleagues. The values we all share are equally important – we support each other, we are always striving to be better, and we are not afraid to laugh and look on the bright side even in the darkest times.

Good underlying growth potential

Demand in the hotel market throughout the pandemic has varied depending on the extent of restrictions. When restrictions were eased in the second half of the year there was a clear increase in hotel demand in all Pandox's markets. Although the Omicron variant slowed demand at the end of the year, positive underlying development in the hotel market clearly shows that there is a substantial pent-up desire for travel, which is quickly converted into demand once restrictions are lowered and it becomes easier to travel.

Willingness to pay for hotel accommodation is high, as illustrated by the average price development in attractive leisure destinations in the third

quarter in particular, with RevPAR in some cases significantly higher than in the corresponding quarter in 2019 before the pandemic.

The level of economic activity in Pandox's markets is good and personal finances are strong. Vaccination levels are high and companies have returned to their physical workplaces, laying the foundation for more conferences and increased domestic business travel alongside continued active domestic leisure travel.

Pandox is in an attractive position with around 80 percent of all rooms in regional and domestic cities, and therefore has high exposure to domestic demand, which is leading the hotel market's recovery.

Sights set on the future

2021 has been a year with many faces and in which many insights have been gained. One of the most obvious and gratifying insights is that people start travelling again as soon as they can and when the restriction status allows them to. The strong recovery that happened in all of Pandox's markets in the second half of the year is solid proof of that. Here at Pandox we are incurable optimists and we see opportunities for continued recovery in 2022.

With a strong balance sheet, a well-diversified portfolio of attractive hotel properties and strong partners, a well-balanced business model and a unique corporate culture, we are ready for anything that comes our way.

Thank you, dear shareholders, for your continued faith in us. Thank you to our lenders, business partners, guests and Pandox employees for a year in which we have hopefully left the worst behind us. Onwards to brighter times!

Stockholm, March 2022

Liia Nõu
 CEO

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Well-proven strategy and unique business model

Active ownership throughout the value chain

Pandox's business concept is to acquire, improve and lease out hotel properties to strong hotel operators under long-term, revenue-based leases and apply specialist expertise to be an active owner, creating value throughout the hotel value chain. Pandox's vision is to be one of the world's leading hotel property companies.



Only hotel properties

Pandox's strategy is focused on hotel properties as the only class of asset, where specialisation and knowledge are crucial to achieving results.

Large hotel properties in strategic locations

Pandox focuses on large hotel properties in the full-service segment that are strategically located in attractive cities.



Lobby at The Midland Manchester, 310 rooms. Major renovation was completed in 2020.

Flexibility and operating our own hotels reduces risk

Pandox is able to move freely throughout the hotel value chain and also operate its own hotels. This reduces risk while also creating new business opportunities.

Revenue-based leases with shared investments

Pandox's core business involves signing long-term, revenue-based leases with the best hotel operators and sharing investments with them. This is the foundation for a high-quality hotel property portfolio.

Deep hotel expertise

Pandox is an active owner with a deep knowledge of the hotel industry and considerable experience in all operating models in the hotel market. This, combined with analysis and insight, gives us knowledge advantages in the market.

Diversification in multiple dimensions

Pandox's hotel property portfolio is diversified through geographies, demand, brands and hotel products, which balances and evens out the effects of fluctuation over the hotel business cycle.

Sustainability with a business focus

Pandox is proactively driving sustainability and actively working towards long-term sustainable management of properties. Pandox's sustainability strategy encompasses, social, financial, environmental and ethical responsibility.

Respond, Restart, Reinvent

Pandox has a strategic framework to handle the acute crisis, to plan for recovery and to understand what the hotel market will look like post-pandemic.

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Respond

Steps to help mitigate the acute crisis created by Covid-19:

Constructive dialogue with business partners

During the pandemic Pandox has had a constructive and open dialogue with all lenders and business partners.

Balance revenue and costs

Recurring revenue in the form of contractual minimum rent and fixed rent amounts have largely covered Pandox's total costs throughout the pandemic.

Keep the hotels open

Throughout Covid-19 Pandox has kept its hotels open wherever possible to maintain relationships in the local market and to quickly capture demand when restrictions are eased.

Act to protect the value of the hotel properties

Pandox has the capacity to take over operation of hotel properties already owned by Company, and has done this again and again over the years.

Practice leadership that is open, active and present

Throughout the pandemic Pandox has tried to keep a cool head, take a constructive approach and be optimistic about the future.

Restart

After a major crisis, recovery in the hotel market always looks essentially the same. This time too, domestic travel has led the recovery.



Reinvent

Creating insight into how the hotel market may be different post-Covid-19, for example in terms of:

Consumption trends

Types of agreements

Business models

Distribution

Brands

It is still too early to say what the long-term consequences of the Covid-19 pandemic will be. It is clear that certain trends that were identified even before the pandemic have accelerated, such as increased digitalisation at hotels and more sustainable and conscious travel.

Pandox has an active dialogue and exchange of ideas with actors within and outside the hotel industry to understand new trends.

Since it started in 1996, Pandox's annual Hotel Market Day has invited industry actors to come together to understand and discuss how the hotel market may develop.

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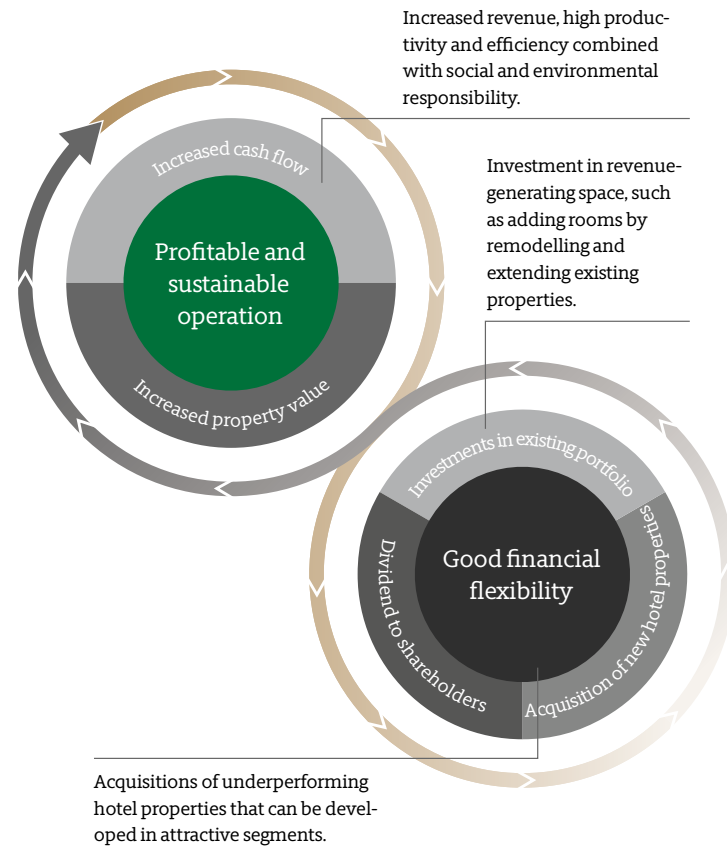
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Value creation through profitable and sustainable operation

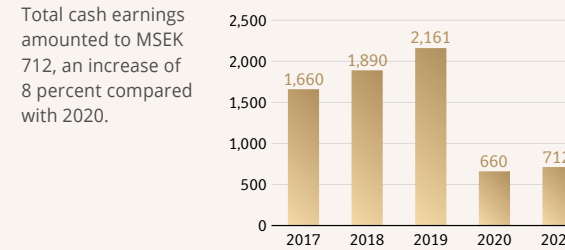
Business processes

Pandox works systematically to increase the value of each hotel property by making the right investments in the hotel product and by maximising the hotel's revenue and productivity.

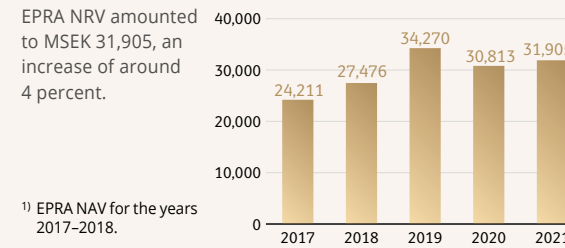


Results

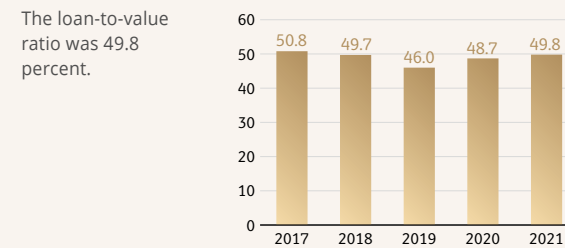
Total cash earnings, MSEK



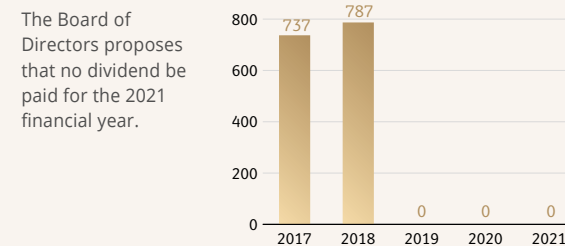
EPRA NRV ¹⁾, MSEK



Loan-to-value ratio, %



Dividend, MSEK



Contribution to society

Contribution to stakeholders

MSEK	2021	2020
Tenants		
Rental income	2,422	2,399
Investments	563	492
Hotel guests (Pandox-operated hotels)		
Net sales	851	779
Investments	419	406
Employees		
Salaries and benefits	515	539
Capital owners		
Dividend	—	—
Growth in net asset value, % ¹⁾	4	-10
Interest and fees	944	902
Suppliers		
Payments	2,491	2,413
Society		
Taxes and levies ²⁾	381	319
Government assistance received ³⁾	-293	-249

¹⁾ Growth in EPRA NRV annual rate.
²⁾ Includes payroll overheads, property tax and reported tax.
³⁾ Of which MSEK -83 (-117) transferred directly from authorities to Pandox employees in the form of salary support for furloughed personnel.

Contribution to society

- Direct and indirect jobs
- Social cohesion and personal development for employees
- Productive environments for meetings and recreation
- Positive contribution to development of local environments and communities

Pandox's role in society

Through its hotels, Pandox is an important part of the infrastructure of the hospitality industry, which in turn fulfils an important function in society.

A strong network of partners and brands

In total Pandox works with more than 30 business partners and brands.

Pandox has one of the hotel industry's strongest networks of business partners and brands. This is the result of a long-term strategy based on deep hotel knowledge. The choice of business partner and brand is important for value creation.

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Deep, broad and long-term partnerships

Crucial to Pandox's success are the partnerships the Company has with its tenants, which consist of just over 30 hotel operators and hotel brands that vary in nature and geographical reach in 15 countries and 90 cities. They include global brands such as Hilton, regional brands such as Scandic and local independent brands such as Park Centraal Amsterdam.

Pandox is diversifying its hotel property portfolio through its presence in domestic, regional and international markets, and in terms of hotel type and business mix. Pandox's large full-service hotels in good locations attract all types of demand. Pandox's largest demand segment has historically been business travellers and conferences, but the percentage of leisure travellers has increased significantly in recent years. This is the result of a global increase in leisure travel, but also of joint development – in cooperation with tenants – of new hotel products with a more attractive leisure profile.

During the pandemic, domestic leisure travel has been the primary driver of the periodic hotel market recovery.

Productivity and profitability always in focus

It is important to Pandox that its tenants are hotel operators with good commercial understanding and a strong focus on productivity. Productivity creates profitability, which in turn provides the resources for new investments in the hotel product.

Different brands, different promises

While the number of brand owners in the hotel market has decreased, the number of hotel brands has increased. One reason is the strong growth in online travel agencies (OTAs), which has driven increased diversity on the supply side. The majority of hotel bookings in the world are now made digitally, and the percentage continues to rise. Digitalisation is creating significant opportunities for Pandox as a hotel property owner. An increased range of brands and low barriers for Pandox to create and distribute independent hotel products digitally provides the Company with unique opportunities to give newly acquired hotel properties and/or those recently taken over the right identity and position.

The relevance and power of the different brands depends on the submarket. Scandic and Nordic Choice, which have brands including Clarion and Quality, are leading actors in the regional hotel market in the Nordics. Jurys Inn is a similar example in the UK. However, none of these brands holds the same attraction for international business travellers and conferences as Hilton or Radisson. For a hotel property owner like Pandox it is important to understand which brands work where, which type of demand they attract in their respective submarkets and how to position the hotel in order to be as profitable as possible.

Independent brands are sometimes better

Sometimes a situation arises in which it is better for Pandox to create its own independent hotel brand. The reasons may be that the current brand does not send the right signals to the market, that it is too expensive relative to the demand that the brand generates or that it is otherwise not suitable for the particular market or hotel. A strategy of independence is particularly relevant when a substantial change in the hotel product is necessary, for example when acquiring an underperforming hotel or taking over after an expired lease. In such situations it is generally simpler and more effective to change both the product and organisational structure under an independent brand. There is a greater degree of freedom and the return is often higher.

Some examples of hotels that have undergone such a change are:

- Motel One Copenhagen (from First Hotels)
- Urban House Copenhagen (from Omena)
- Scandic Lillehammer (from Radisson Blu)
- Scandic Kista (from Mr Chip)
- nhow Brussels Bloom (from Mercure)
- The Hotel Brussels (from Hilton)
- Hotel Berlin, Berlin (from Clarion)
- Hotel Hubert (from Scandic)
- Hotel Mayfair (from First Hotel)

Leases have been signed for the first five of these hotels with new tenants following their repositioning and other active measures within hotel operations.

BRIEF FACTS ABOUT SOME OF PANDOX'S BUSINESS PARTNERS
Scandic

Scandic is the largest hotel operator in the Nordic region with around 280 hotels and 58,000 rooms in six countries, and a clear operational focus and strong position in the regional hotel market in the Nordic region.



Fattal, with the brands Leonardo, Jurys Inn and NYX, is one of Europe's fastest growing hotel chains with more than 220 hotels, 42,000 rooms and an active pipeline in Europe and Israel.



Nordic Choice Hotels is the second largest hotel operator in the Nordics after Scandic with 200 hotels and around 37,000 rooms and long stay products. Nordic Choice holds a strong position in the regional hotel market in the Nordics.



HR Group is one of the fastest growing hotel owners in Central Europe and one of the leading hotel operators in Germany. Its portfolio today consists of 73 hotels with more than 12,000 rooms in Germany, Austria, the Netherlands, Switzerland and Spain.



Hilton Worldwide is one of the largest brand owners and distribution companies in the global hotel market, with more than 18 brands spread across nearly 6,500 hotels in 119 countries.



Radisson is one of the world's largest hotel companies with 1,600 hotels and more than 250,000 rooms in 120 countries. Radisson has attractive brands and holds a strong position in the international hotel market.



NH is one of Europe's larger regional hotel operators with 354 hotels and around 55,000 rooms in 30 countries. Like Scandic, NH has a clear focus on hotel operation and constructive business development.

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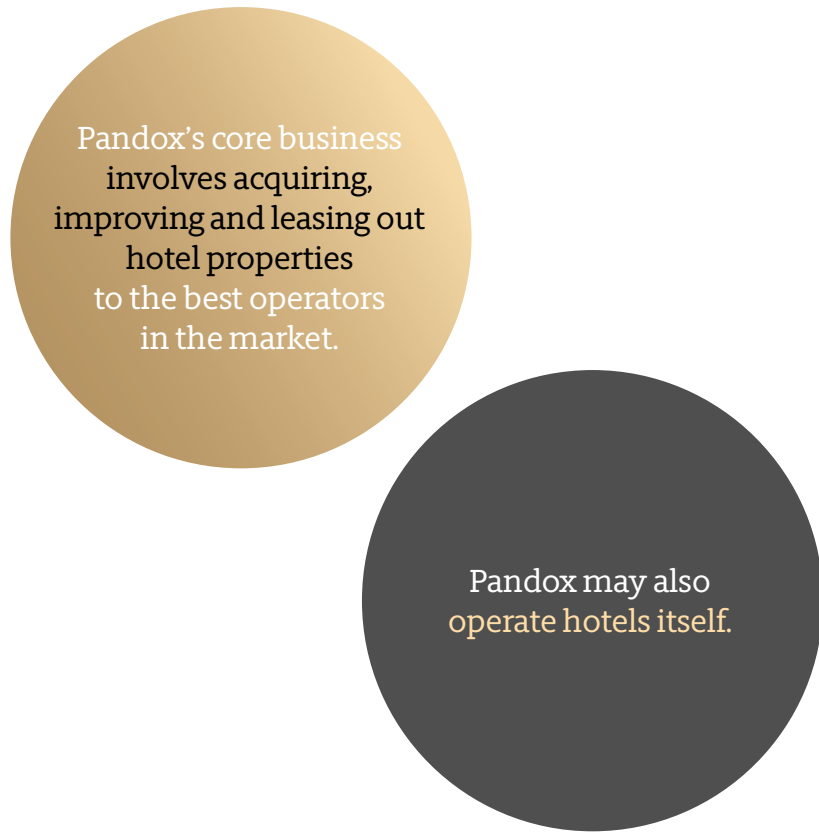
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Two segments, more opportunities

Pandox has an integrated business model and is active throughout the hotel value chain. Apart from owning and leasing out hotel properties, Pandox may also operate hotels itself. This reduces risk, creates new business opportunities and promotes a higher return.



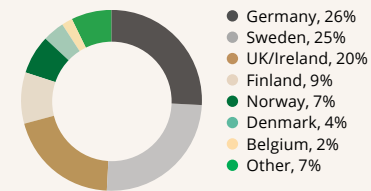
Property Management

137 properties

MSEK 52,215 market value, properties

5.44% valuation yield

Rental income by country 2021



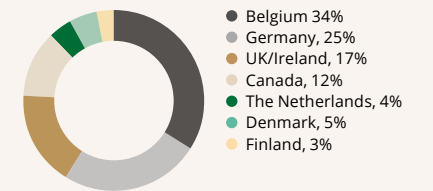
Operator Activities

20 properties

MSEK 10,380 market value, properties

6.38% valuation yield

Revenue by country 2021



Pandox total

157 Hotel properties

Pandox's hotel property portfolio consists of 157 properties with an average of 225 rooms. The portfolio is well-diversified across geographies, countries, cities, types of demand and subsegments.

MSEK 62,596 Total market value of portfolio

In 2021 the market value of the total hotel property portfolio increased by around 5 percent, explained by positive currency effects and acquisitions.

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Property Management

Strong position during the recovery

Property Management is a key component of Pandox's operations and is based on long-term, revenue-based leases with good minimum rent levels and stable earnings. The hotel properties are leased to tenants who operate the hotels under various brands. In 2021 Property Management reported almost the same net operating income as in 2020. After a weak first half of the year due to government restrictions, the second half was considerably stronger.

Well-known and strong tenants

Pandox's tenant base consists of highly reputable hotel operators with strong hotel brands. Tenants include regional operators such as Scandic Hotels Group (the largest hotel operator in the Nordics), Fattal Hotels Group (Leonardo, Jurys Inn), HR Group and Nordic Choice Hotels, as well as global operators such as Hilton, Radisson and NH Hotel Group.

Leases with the right incentives

Pandox's leases are mainly linked to the hotel's revenue and often contain a contractual minimum rent clause. This makes it possible to achieve increased income in an improved market, while also having downside protection in a weaker market. Pandox prefers revenue-based leases which normally have two different rent levels: (1) A higher percentage rent based on the operator's room revenue and the operator's conference room rental revenue. (2) A lower percentage rent based on other operator revenue, mainly food and beverage revenue. This also includes operator revenue that may be specific to the hotel's offering, such as parking and spa services.

With revenue-based leases the property owner and operator have a joint incentive to develop the hotel product and create good productivity and profitable growth. Pandox works with its tenants to identify suitable cash flow-driving investments in the properties. Joint investment projects normally involve an extension of the lease term and an adjustment of the percentage rent. New or renegotiated hotel leases usually have a term of 10–25 years. On 31 December 2021 Pandox's lease portfolio had a weighted average unexpired lease term (WAULT) of 14.0 (14.6) years. (See definitions on page 178.)

Shared investment reduces risk

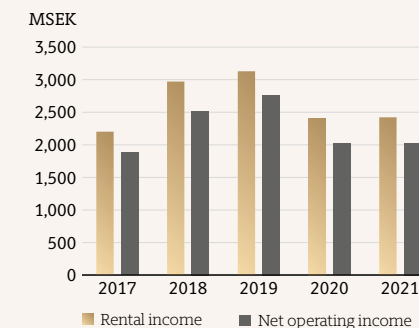
The way maintenance costs and investments are distributed between the tenant and the property owner in hotel leases is an important factor that distinguishes hotel properties from other real estate segments such as office properties. The division of responsibility between the parties is regulated in a checklist. Hotel tenants in the Nordic countries are normally responsible for maintenance of hotel rooms, restaurants, lobbies and other public spaces, including furniture, fixtures and



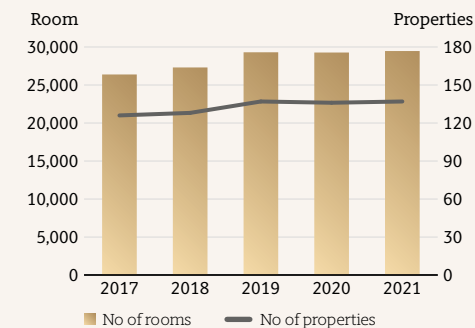
equipment. The property owner is typically responsible for technical investments and installations in the property, technical maintenance and usually for bathrooms as well. In general the tenants' responsibility is greater outside the Nordic region.

Investments raise the standard of the hotel and make it more competitive, which means increased revenues and greater profitability for the operator and thereby higher revenue-based rent for Pandox. The long lease terms, combined with the tenant's responsibility for maintenance and cash flow-driving investments, mean that Pandox – as the hotel property owner – has less financial responsibility for

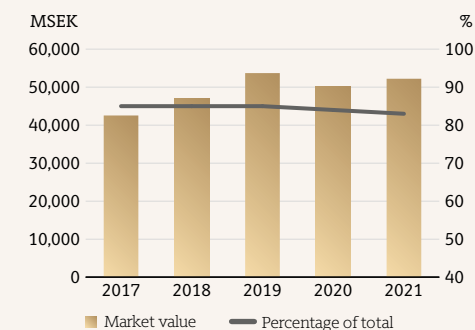
Rental income and net operating income



Number of rooms and properties



Market value and percentage of total portfolio



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investments compared to the owner of, for example, an office building. Pandox estimates that tenants contribute a significant portion of total investments over time.

Major investments in the existing portfolio

In 2021 Pandox continued to invest to grow the existing portfolio. Examples of completed and ongoing projects during the year are: Scandic Luleå (read more on the right), nhow Brussels Bloom, Quality Grand Borås, Pullman Stuttgart Fontana and NH Collection Salzburg.

Payment terms to support business partners

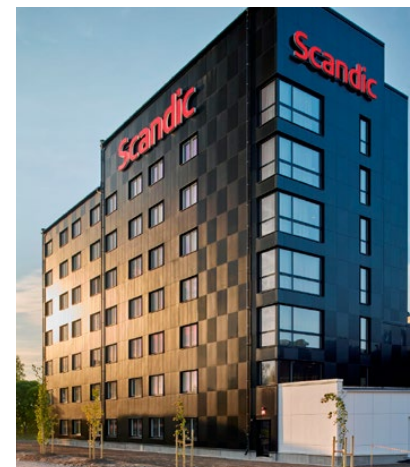
2021 was another difficult year for hotel operators and hotel owners alike. Pandox offered its tenants support, mainly through adjusted payment terms. The fact that most of Pandox's leases are revenue-based means that Pandox has carried a significant portion of the costs of the pandemic through lower rents.

Two reclassifications

In August Pandox took over operation of the former Maritim Hotel Nürnberg and reclassified it to Operator Activities. In October Pandox leased h27 in central Copenhagen to Motel One and at the same time reclassified the property to Property Management.

Acquisition in Scotland concludes the year

On 21 December Pandox announced the acquisition of Aparthotel Adagio Edinburgh Royal Mile, a centrally located apartment hotel with 146 rooms. With this acquisition, Pandox is adding a new segment – extended stay – and a new partner in Adagio. Edinburgh is one of the UK's most attractive hotel markets with well-diversified demand and very good RevPAR levels.



Pandox invests big in Luleå, Norrland's commercial centre

In summer 2021, barely 18 months after ground was first broken, the major expansion of Scandic Luleå was complete. A total of 118 rooms were added, 112 of which are in a brand new nine-storey building.

Large parts of the existing building were also upgraded, with a particular focus on new conference rooms, a larger restaurant, a new gym and an expanded pool area, as well as six new hotel rooms.

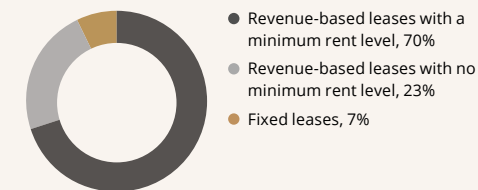
The new building is BREEAM certified (Very Good) and was constructed with modern materials to reduce climate impact.

"We are very happy with the end result of our major investment in Luleå, one of the biggest cities in the Norrland region and one which we believe in as a destination. In cooperation with Scandic and Peab, we have developed a strong and modern hotel product that attracts both leisure and business travellers. The hotel now has a total of 273 rooms, which makes it Luleå's biggest hotel," says Erik Möller, SVP, Director of Property Management Nordics.

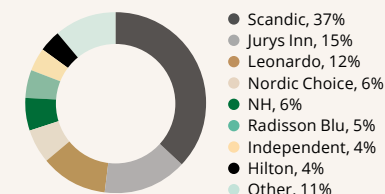
Brands in Property Management 31 December 2021



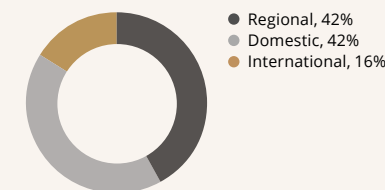
By agreement type, number of rooms



By partner, number of rooms



By destination, number of rooms



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Operator Activities

Attractive hotels in strong locations

Operating hotels is an important part in Pandox's strategy of being active throughout the value chain. Pandox's expertise and ability to operate hotels itself give the Company strategic flexibility. For 2021 Operator Activities reported a marginal negative net operating income due to Covid-19.

Active ownership reduces risk

Pandox may choose to operate hotels itself if it is not possible to enter into a lease with a tenant on attractive terms. The ability to take over the operation of a hotel reduces the risk when leases expire and/or if the tenant cannot meet its obligations. It is also useful in situations where hotels need to be completely renovated and it is not currently financially attractive to lease to third parties. The goal is, however, to sign new leases at commercially attractive levels and develop relationships with existing or new tenants. Pandox's deep knowledge of how to operate hotels also makes it possible to efficiently monitor tenant performance throughout the portfolio. Operational know-how also creates opportunities to carry out acquisitions of mixed portfolios that include both hotel properties and hotel operations.

Full operating exposure

In the Operator Activities segment all of the hotels' revenue and net operating income flow to Pandox. Revenue includes rooms, food and beverages, conference rooms and the hotels' other revenue

streams. The single largest cost item is employee costs, such as for reception, housekeeping and restaurant staff. Other cost items include consumables and other hotel-related costs. Pandox works actively to develop revenue and distribution strategies for each hotel. The combination of good revenue forecasts and sound resource planning creates the conditions for high productivity and good profitability.

External and own brands

Pandox markets the hotels in the Operator Activities segment either under internationally known hotel brands, such as Radisson Blu, Hilton or Novotel, or under its own independent hotel brands adapted for local market conditions.

On 31 December 2021 a total of 10 hotel properties were being operated within Operator Activities under franchise agreements, six under independent brands owned by Pandox and four under management agreements.

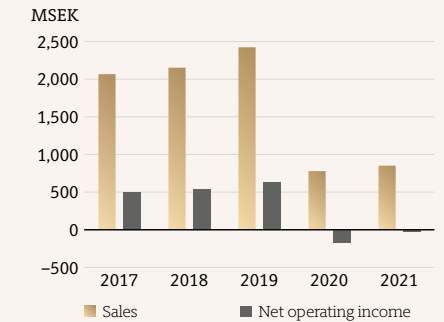
Government relief programmes in 2021

Pandox benefitted from relief programmes within Operator Activities in

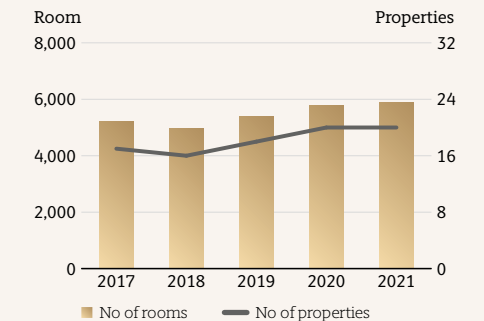


Belgium, Germany, the Netherlands, Canada and Finland amounting to the equivalent of around MSEK 185 for full-year 2021. This is recognised as a decrease in costs under "Costs, Operator Activities". In addition, around MSEK 83 for the full year was transferred directly from authorities to Pandox employees in the form of salary support for furloughed personnel. This is therefore not included in Pandox's reported figures.

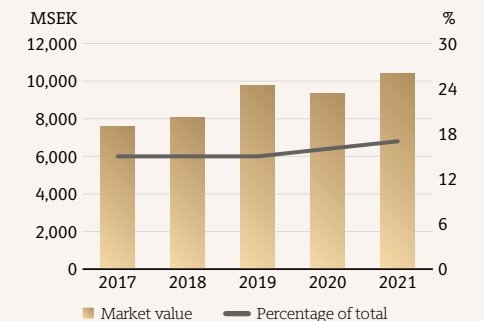
Sales and net operating income



Number of rooms and properties



Market value and percentage of total portfolio



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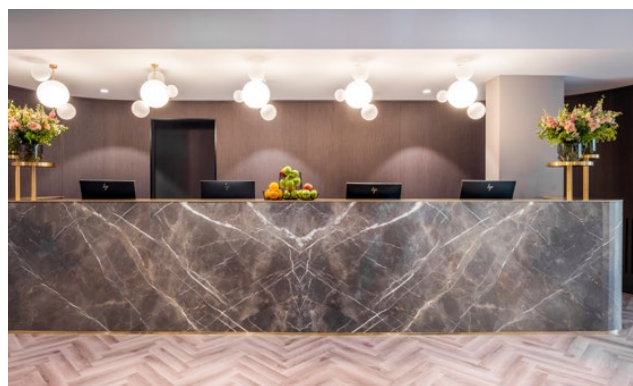
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Welcome to Pandox, DoubleTree by Hilton Brussels City!

After comprehensive renovation and rebranding from Crowne Plaza Brussels – Le Palace, the hotel reopened in the autumn as DoubleTree by Hilton Brussels City.

DoubleTree by Hilton Brussels City has eight floors and is located a few minutes from Grand Place and the main attractions in Brussels. The hotel property was built back in 1910 in the Art Deco style and has been owned and operated by Pandox since 2003.

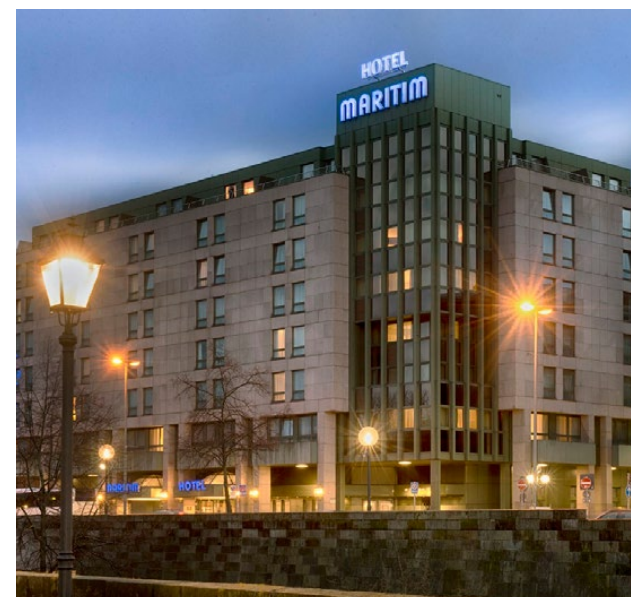
The fully renovated hotel has 354 rooms and suites, 17 conference rooms covering a total area of 2,000 sq m, a gym and sauna and a self-service Wundermart shop.

DoubleTree by Hilton Brussels City is only a stone's throw from Gare du Nord with its direct rail connection to Brussels international airport. On one side of the hotel is the Brussels Botanical Garden with its beautiful flower meadows. On the other side is Place Rogier, with more than 44,000 sq m of office space as well as pedestrian precincts and various brasseries and bars, with easy access to the European institutions and the city's business district to the north.

Pandox takes over operation of hotel property in Nuremberg

When the lease expired on 31 August 2021 Pandox took over operation of the former Maritim Hotel Nürnberg in central Nuremberg, Germany, in a hotel property that Pandox already owned. Pandox sees great potential value in developing the hotel itself and will invest around MEUR 20 in extensive renovation and repositioning.

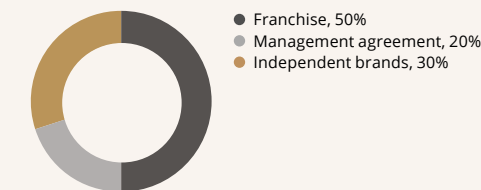
The hotel is strategically located in central Nuremberg, which is the second largest city in Bavaria and normally has high occupancy and high average room rates.



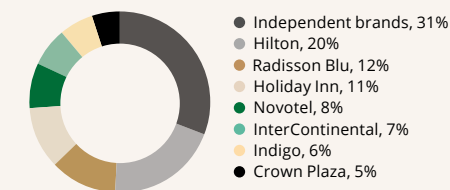
Brands in the Operator Activities segment 31 December 2021



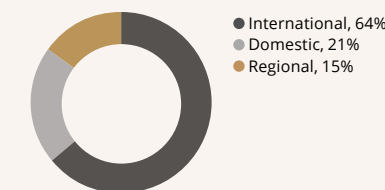
By agreement type, number of rooms



By partner, number of rooms



By destination, number of rooms



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Keys to Pandox's value creation

Hotel properties have certain characteristics that distinguish them from other types of property. To create value in hotel properties, a deep knowledge of the hotel market and its drivers is needed to make the right acquisitions and ensure the hotel properties' continued development over time.



Profitable acquisitions

Pandox has an active acquisition strategy based on industry know-how, a long-term perspective and the ability to act freely throughout the hotel value chain. Pandox's opportunities for value creation through acquisitions increase when the object to be acquired is underperforming or where the transaction is highly complex, for example in portfolios that include both hotel properties and hotel operations.



Growth-driving investments

A large, well-diversified portfolio offers good opportunities for value-creation and growth-driving investments. Pandox has an ongoing dialogue with each tenant on joint investment projects to further increase the hotel's revenue and profitability. For example, new beds in existing rooms, new rooms in existing hotel properties or new rooms through extension of existing hotel properties.



Profitable and sustainable operation

Profitable and sustainable operation is the core of Pandox's business, whichever business model is used. Sometimes Pandox chooses to take on the role of both owner and operator in order to secure the hotel property's long-term value. Operating a hotel may be appropriate if it is in need of a major upgrade and there is no possibility of signing a profitable lease with a long-term partner. The ultimate goal is always to sign a new lease at a commercially attractive level.

Expertise and insights provide knowledge advantages

How Pandox monitors and develops the market

Pandox has a strong commercial position in the hotel market by virtue of the Company working with many different hotel brands and being active in a wealth of markets and destinations that vary in nature and demand. Pandox constantly monitors and analyses important trends and drivers in the hotel market and this provides input for discussions with tenants.

Pandox has an individual business plan for each hotel property. This includes defining a peer group – a number of relevant competing hotels – against which the hotel property's performance is constantly assessed. Through a combination of knowledge, experience and curiosity, Pandox challenges and inspires its tenants to identify new business and investment opportunities.

Is the hotel correctly positioned? What investments are appropriate? What is the return if we invest? How should risk and return be shared? In its toolbox Pandox also has knowledge of how to establish independent hotel brands.

Key issues for a hotel property owner

Choice of operating model

- Lease
- Operated by Pandox, franchise
- Operated by Pandox, independent
- Management agreement

Choice of business partner

- Hotel operator

Agreement structure

- Revenue-based leases with contractual minimum rent
- Revenue-based leases without contractual minimum rent
- Fixed leases
- Types of agreements

Hotel product

- Management and organisation
- Productivity and profitability
- Investments and development

Revenue management

- Drive revenue

Brand & distribution

- Positioning
- Segmentation
- Channels
- Brand

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Value creation in central Copenhagen

When the coronavirus pandemic hit with full force in April 2020, Pandox took over operation of h27 in central Copenhagen in a hotel property that Pandox already owned. A new business plan was quickly put in place for the hotel, including repositioning, light renovation and some upgrades. The strategy proved to be a success; the hotel has had very good occupancy during the hotel market recovery. Since 1 October 2021 the hotel has been run by the German operator Motel One under a long-term revenue-based lease with good minimum rent levels.

h27 in central Copenhagen was run until April 2020 by an operator that could no longer meet its obligations in the early stages of the pandemic. Over one weekend Pandox effectively took over, appointing key personnel, implementing business systems and creating a new business plan for the hotel.

“Thanks to Pandox’s large network of key talent and an established system for taking over operation of a hotel, it was a very efficient process,” says Erik Möller, SVP, Director Property Management Nordics at Pandox.

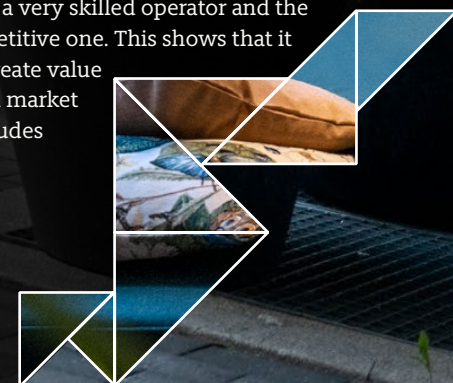
“The hotel is in a fantastic location in Copenhagen but over time the product had lost some of its relevance. Although the takeover was not in our plans, today we are very happy that it happened.”

To allow the hotel to fulfil its potential, Pandox invested around MDKK 26 in light renovation which took place while occupancy was low due to the pandemic. This proved to be a successful strategy. Just as the hotel renovation was completed, the hotel market started to recover. Thanks to the hotel’s new, attractive product, high occupancy was quickly achieved.

“The reopening exceeded our expectations. From a personal standpoint, I would say it almost went a bit too well – when I travelled down to Copenhagen to look at the hotel in early summer, there was no room available for me to stay the night in.”

In late spring a dialogue was initiated with the German operator Motel One which was looking for a first hotel for its Nordic expansion. The operator liked h27, the design of which was well aligned with Motel One’s other hotels. During the autumn it was decided that Motel One would lease h27 under a 20-year revenue-based lease with good minimum rent levels. In connection with this, the hotel changed its name to Motel One Copenhagen.

“We are very satisfied with everything – Motel One is a very skilled operator and the lease is a competitive one. This shows that it is possible to create value even in a tough market climate,” concludes Erik Möller.



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Hotelism by Pandox

2

Market and trends

Pandox's market is a densely populated area that is home to nearly 200 million people. It extends from Harstad in the north to Salzburg in the south and is one of the world's economically strongest and most dynamic regions.

Pandox has a presence in 15 countries and a total of 90 destinations. No two cities are alike.



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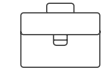
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Strong position in domestic markets



International cities

Characteristics

- Internationally established destinations
- Hubs for international travel
- Markets with strong purchasing power
- All guest segments represented
- Recovery from Covid-19 taking longer

Examples in Pandox's portfolio

London, Amsterdam, Montreal, Brussels, Berlin, Vienna and Dublin.

Regional cities

Characteristics

- Growing destinations "on the way up"
- Mainly regional and domestic demand, with elements of international demand
- Greater variety of guest segments
- Covid-19 winners driven by increased domestic leisure and business travel

Examples in Pandox's portfolio

Hamburg, Munich, Cologne, Frankfurt, The Hague, Copenhagen, Stockholm, Oslo, Helsinki, Manchester, Edinburgh, Birmingham and Basel.

Domestic cities

Characteristics

- Domestic demand is the primary driver
- No or limited international demand
- Greater dependence on the public sector
- Covid-19 winners driven by increased domestic leisure travel

Examples in Pandox's portfolio

Leeds, Sheffield, Gothenburg, Jönköping, Örebro, Jyväskylä, Kuopio, Bergen, Bodø, Dortmund, Mönchengladbach and Wolfsburg.

Total portfolio

Diversification in various ways

- Demand
- Destinations
- Locations
- Brands
- Hotel products
- High exposure to domestic and regional demand

Portfolio approach reduces risk

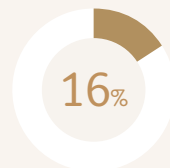
By combining different markets, types of demand and brands, Pandox can balance out fluctuations in individual markets. This increases resilience and reduces risk.

Pandox facts

17 hotels

5,737 rooms

Percentage of total number of rooms

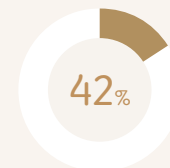


Pandox facts

62 hotels

15,010 rooms

Percentage of total number of rooms

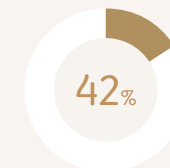


Pandox facts

78 hotels

14,625 rooms

Percentage of total number of rooms



Pandox facts

157 hotels

35,372 rooms

15 Countries*

90 cities

* Includes the England, Wales, Northern Ireland and Scotland submarkets

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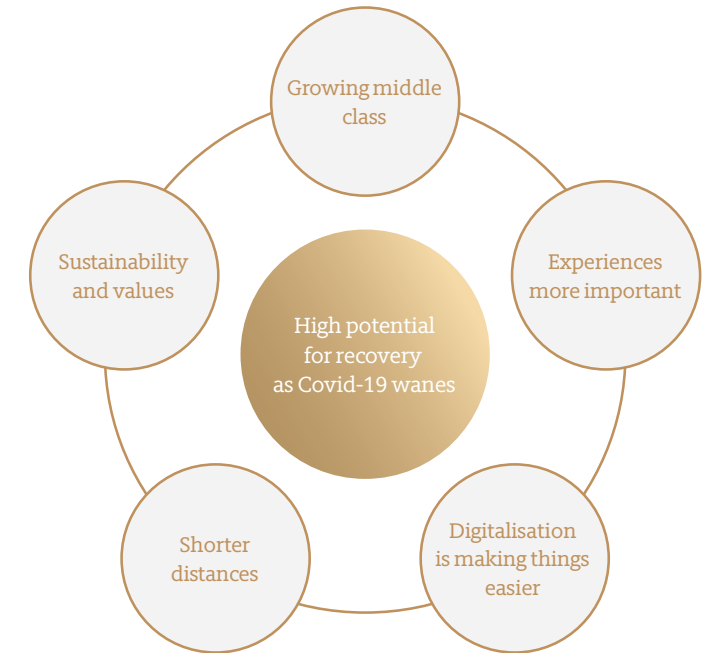
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Strong long-term trends

Pandox is active in a dynamic industry with several strong trends and drivers, such as increased prosperity, a growing middle class and blurred work-leisure boundaries, combined with the possibilities offered by digitalisation. Covid-19 has negatively impacted demand in the hotel market due to the strong link between restrictions and travel. When restrictions have been lifted, travel has increased significantly.



Growing middle class

The global population is growing and so is the middle class – a factor that normally leads to increased travel. People are also living longer, which means they are looking for new experiences later in life as well. Domestic leisure travel has proved to be a strong driver in the hotel market, even during the Covid-19 pandemic.

Experiences more important

New generation consumers are often more interested in gathering experiences than material possessions. Typically, they are on the hunt for the best destination, the best accommodation and the best food menu. The hotel is no longer just a place to sleep, but part of a lifestyle. Covid-19 has without a doubt create a significant pent-up demand for experiences and travel.

Digitalisation is making things easier

Digitalisation is a trend that was further reinforced during the pandemic. Digitalisation has made the world smaller and blurred the lines between work and leisure. It has also accelerated the pace of change and made it easier to book both travel and accommodation. One consequence of Covid-19 is that demand for digitalisation in the physical hotel environment is increasing.

Shorter distances

Most guests will arrive at their hotel by car, bus or train – a trend that strengthened due to Covid-19. Low cost flights – both short and long haul – are also a strong underlying driver for the hotel industry over the long term as they drive demand from more high-paying segments in the hotel market.

Sustainability and values

Demand for sustainable products and services is increasing as knowledge levels among consumers and in society increase. For consumers it is increasingly important for the services they purchase to match their own values. Covid-19 has been a catalyst for sustainability among companies and individuals.

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A leading hotel property owner in a market with good potential

Pandox has established itself as a leading hotel property owner in Europe with the help of a business model that covers the entire hotel value chain. The hotel property market is fragmented, with good growth opportunities where Covid-19 has above all strengthened existing trends.

Good opportunities for Pandox ...

Large and fragmented market	The hotel property market in Europe is fragmented. Pandox, which is one of the biggest players, has a combined market share of just under 1 percent, measured as the number of rooms in the markets where the Company is established. Competing hotel property companies are rarely international specialists, but instead tend to be from the financial sector or are national property companies with various property types in their portfolio. Overall, there are a handful of competitors in each market, of which only a few are active in multiple markets.
High entry barriers	The entry barriers to the hotel property market are high. Hotel properties have unique characteristics and this requires comprehensive specialist expertise and substantial capital in order to create a portfolio with an attractive risk and return profile. A well-established hotel property in a strategic location has natural competitive advantages that are difficult to replicate. A well-diversified hotel property portfolio is even harder to recreate as this requires a long-term perspective and an international presence.
The need for operational expertise is increasing	As large hotel chains become more brand-oriented, the need for specialised hotel property owners and strong operators increases. This is because the brand promise conveyed in digital channels has to be turned into a positive guest experience in the physical environment at the hotel. This calls for knowledge of how to create an attractive hotel product through a combination of efficient operation and value-adding investments. Here, skilful operator companies have gradually advanced their positions. This trend has created opportunities for Pandox to take over operation when the conditions for a profitable lease are not in place.
Flexibility and agility create opportunities	Pandox's pan-European position and ability to work with all operating models creates clear competitive advantages and growth opportunities. Pandox's core business is to acquire and improve hotel properties and lease them to strong hotel operators under revenue-based leases, where Pandox's rental income grows as the operator's sales grow. Pandox moves freely throughout the hotel value chain and can operate hotels in properties that the Company owns. This reduces risk and creates new business opportunities.

... in a constantly developing hotel market

Changed business models in the hotel market	The international hotel market has gone through an extensive structural transformation. Large international hotel chains have changed their business models, having sold their hotel properties and outsourced hotel operation to other parties. They have then developed different types of asset-light strategies that require less capital with a focus above all on distribution (bookings) and brand development (franchising). The large hotel companies today have relatively little to do with the day-to-day operation of their hotels. This is instead usually handled by specialised, independent operating companies through franchise or management agreements.
Asset-light requires large volumes in order to be profitable	Within an asset-light strategy, revenue is mainly derived from franchise fees and commissions on bookings. This business model requires large volumes in order to be profitable. The main aim is to increase the number of franchisees and room bookings – preferably in their own distribution channels. The business model not only requires substantial marketing investments, but also a continuous increase in the number of rooms in the portfolio. This has resulted in a search for new franchisees and, in some cases, in consolidation. One factor contributing to this trend is online travel agencies (OTAs) that aggregate offerings and match demand using efficient technology and extensive marketing.
Fewer operators but more brands	Consolidation has decreased the number of brand owners, while the number of brands has increased. The reason is that many hotel chains invest substantial resources in diversifying their brand portfolios and attracting customer demand in new segments.
Covid-19 reinforces more than it changes	Covid-19 has reinforced existing trends, especially interest in revenue-based leases that provide a better risk/return balance between property owners and tenants than is the case with fixed leases. This has in turn increased the need for and value of a deeper understanding of hotel operation, which works in Pandox's favour.

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The lease is key for Pandox

Leases are the dominant agreement model for Pandox. The lease has clear advantages both for the property owner and the tenant since the return, risk and investments can be shared between the parties. There are four business models in the hotel property market and Pandox uses all of them.

PROPERTY MANAGEMENT

1 Lease

Agreement with many advantages

Pandox uses revenue-based leases, often with a contractual minimum rent level. This agreement model has several advantages:

- Long-term perspective
- Joint incentives
- Shared investments and shared risk
- Focus on productivity and profitability

How it works

A revenue-based lease is tied to the development of the hotel business, with a percentage of the hotel's sales paid to Pandox in the form of rent. When the hotel's sales increase, so does Pandox's rental income – and vice versa. Hotel property owners and hotel operators thus share both the upsides and downsides, and have clear common incentives to increase the hotel's profitability and therefore also the hotel property's value. In many leases there are also contractual minimum levels below which the rental income cannot fall. These cover Pandox's cost of capital for financing the properties. Pandox also has fixed leases in a few individual cases.

Interest in leases increasing

Over the years, Pandox has acquired, renewed and signed numerous leases in existing and new markets and has seen increased interest in the lease model. One reason for this

is increased specialisation within the hotel market and the emergence of strong regional hotel operators that share Pandox's view of the advantages of leases. Covid-19 has further strengthened the argument for revenue-based leases. For Pandox as a hotel property owner, the lease is a key aspect of value creation in the hotel business since it contributes to shared investments and shared risk.

OPERATOR ACTIVITIES

2 Operated by property owner under a franchise brand

When a hotel property owner owns both the hotel property and the hotel business, a franchise agreement with a brand owner may be appropriate as it allows the hotel property owner to benefit from the franchiser's brand and distribution resources. Normally the franchisee pays revenue-based royalties plus additional fees for access to other services. Franchise agreements are common within Operator Activities.

3 Operated by property owner with an independent brand

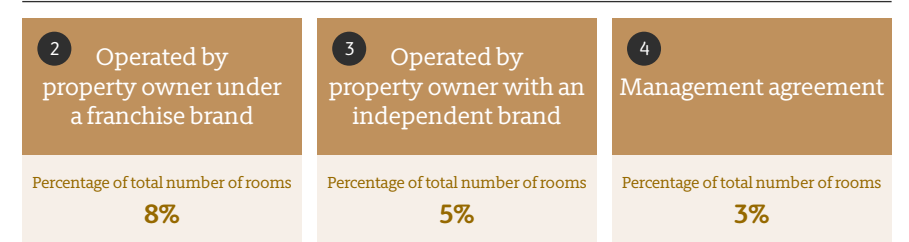
In some cases it may be better to give the hotel a whole new profile of its own using an independent brand created by Pandox, for example in a local market where an international brand has a low recognition factor and the costs of rights and distribution cannot be justified.

Four business models in the hotel property market

PROPERTY MANAGEMENT



OPERATOR ACTIVITIES



4 Management agreement

A management agreement is an agency contract where the hotel property owner also owns the hotel business, but assigns a hotel operator to run and manage the hotel on behalf of the hotel property owner. The property owner pays a management fee, often revenue-based, to the operator for the service.

Management agreements are often very long-term, with the operator undertaking to run the hotel in accordance with established brand strategies. Under this type of agreement structure, the hotel property owner shoulders all the investments and thus bears financial responsibility for both the hotel's operation and the property.

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2021 characterised by Covid-19

The hotel market was strongly characterised by Covid-19 again in 2021. The restrictions that have, in varying degrees, impacted people's ability to travel and meet have had a negative impact on hotel demand in a broader sense as well.

The year began just as 2020 ended, with very low demand in Pandox's hotel markets due to extensive restrictions. The occupancy rate for Europe as a whole was a mere 24 percent for the first quarter. Occupancy mainly consisted of "essential" business demand during the week and "permitted" individual leisure demand at weekends. International demand was very low and activity in the conference and event segment was extremely marginal.

As vaccination levels rose, infection rates decreased and restrictions were gradually eased, and demand gradually increased in the second quarter, with the UK as the leader in reopening society. Heading into the summer, most countries in Europe had eased their restrictions, although various types of limitations and obstacles – mainly affecting international travel – remained.

From the summer onwards the hotel markets were on steadier ground due to an improved restriction situation and high economic activity, in particular due to good private finances. Demand in the third quarter was in large part driven by domestic tourism, "staycations", during the summer months. Regardless of country, strong domestic leisure destinations were the winners and willingness to pay for attractive hotel accommodation was also high. This resulted in good average price development. Occupancy in the

third quarter amounted to around 59 percent for Europe as a whole. Major cities that are heavily dependent on large events and/or international demand did not do as well in relative terms. Demand from the business segment initially increased in the autumn, driven by more companies returning to their physical offices and at the same time becoming more active in travel and conferences. Fewer restrictions on audiences and participants at, for example, cultural and sporting events compensated to some extent for a seasonally weaker period for leisure. Renewed restrictions broke the positive trend starting from the beginning of November. In general, the last wave of restrictions in 2021 was not as extensive and lasting as previously, and occupancy in Europe reached around 54 percent in the fourth quarter.

Restrictions determine demand

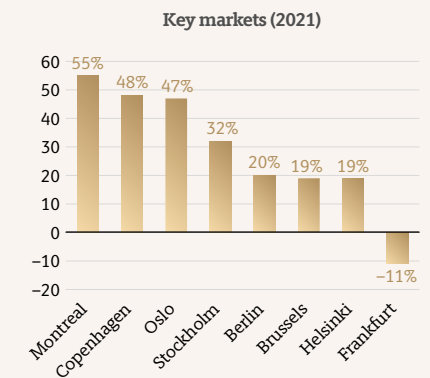
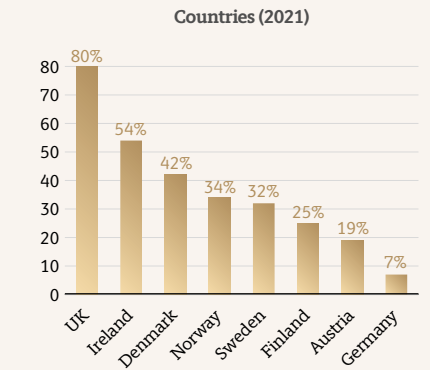
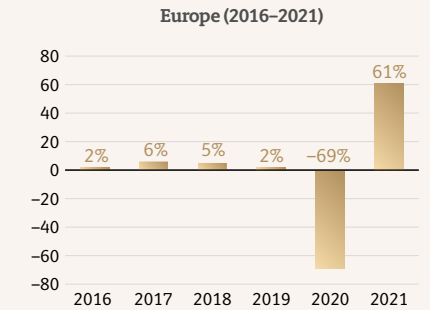
Hotel demand throughout the pandemic has been heavily linked to the degree of restrictions – when restrictions were eased hotel demand increased, and vice versa. There is uncertainty about any lasting effects the pandemic may have on, for example, business travel, which will be determined in part by companies' travel budgets and approach to sustainability, and in part by conference activity competing with digital conference alternatives. Pandox is, however, noticing that recovery in markets that have had longer periods with lower restrictions is reaching 2019 levels, despite the fact that international travel has been limited and that large conferences and events have been on the back burner.

The hotel market is complex and demand is driven by a combination of factors. What may at first seem simple becomes significantly more complicated upon further analysis. The reason is that there are multiple subsegments of demand and destination-specific factors playing a significant role. Therefore, relatively large differences were noted between markets in, for example, the same country. The reasons for this include dependence on international demand, location, the effects of government restrictions, the business mix and the attractiveness of a destination for leisure travel.

Pandox's trendspotting for recovery

- Demand is dependent on the level of restrictions
- Markets with high domestic demand are recovering first
- The leisure segment is recovering first and hotels and destinations with a strong leisure offering are the most attractive
- Hotels that are easy for guests to reach by car and train have an advantage
- Potential for increased domestic and regional tourism while international travel restrictions and obstacles remain in place
- For hotels with a large conference segment and dependence on international demand, the recovery takes longer
- Good economic activity and increased household saving has created the conditions for a further increase in demand once restrictions are lifted
- Pent-up demand for travel among individuals and companies

RevPAR growth in key geographical markets



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RevPAR – a key performance indicator

RevPAR (revenue per available room) is a key indicator in the hotel industry and an important measure for Pandox. RevPAR is a measure of a hotel's – or in aggregate form, a market's – earnings capacity and describes how well it has succeeded in occupying its rooms (demand) and at what room rate (willingness to pay). RevPAR varies with economic activity and demand from various subsegments of the travel market as well as structural factors such as country, city, location, transportation, product type and supply in the hotel market. In addition there are multiple strong market trends that support the hotel market, such as people spending more money on experiences and wanting to travel more often.

🔗 See the section on trends on page 27.

Daily monitoring and analysis

Tracking RevPAR is part of Pandox's business monitoring process. In the Property Management business segment RevPAR is tracked on an ongoing basis. In the

Operator Activities segment it is tracked daily by the hotels and the Pandox Revenue Management Centre in Brussels. The capacity and performance of the individual operator makes a big difference. Based on systematic business analysis, Pandox discusses various possibilities to support the operator in developing and refining the hotel product, thereby increasing profitability for the operator and rental income for Pandox.

Markets vary in nature

Pandox is active in hotel markets that vary in nature and circumstances. This is reflected in RevPAR and thus determines what kind of hotel investments can be profitably made. The higher the RevPAR, the more scope there is for Pandox to make investments that add value.

International destinations such as London and Amsterdam have a high proportion of international demand and good demand in all subsegments. Regional cities such as Stockholm, Copenhagen,

Manchester, Cologne and Hamburg have a smaller international element, but generally good demand from all subsegments. Domestic cities such as Leeds, Linköping and Kuopio are more dependent on domestic demand and individual subsegments. However, these generally experience stable development over time and are less dependent on major global events.

Overall, Pandox has a clear demand balance in its portfolio with a good spread of risk between different types of markets, countries and destinations.

🔗 See the section "Pandox in the world" on page 26.

Effects of Covid-19

Average room rates have been relatively stable in each segment throughout the crisis. The decline in RevPAR is mainly due to lower occupancy and the fact that some high-paying segments, especially international business travel, have been lacking. In attractive destinations, however, leisure travel has raised RevPAR to new peak levels.

RevPAR can be used in various ways:

1. To take the temperature of the hotel sector
2. To measure how well a hotel market is performing
3. As a measure of how a hotel is performing in its market

How RevPAR works

If the average room rate is SEK 1,000 and the occupancy rate is 70 percent, then RevPAR is SEK 700 (1,000 x 0.70 = 700). A hotel with 200 rooms thus has annual room revenue of SEK 51,100,000

(700 x 200 x 365). In addition to this is other revenue such as from food, beverages and conferences, which by definition is not included in the term RevPAR.

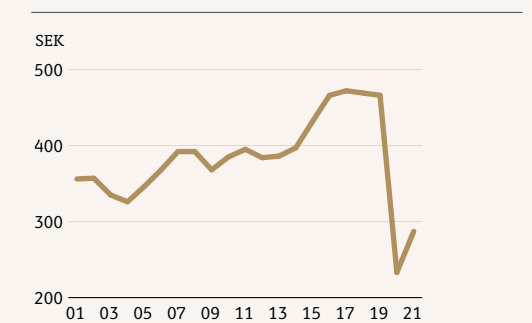
From RevPAR to rental income

Pandox's leases are revenue-based, with a certain percentage of the hotel's revenue becoming rent for Pandox. The percentage is normally higher for hotel rooms and conference rooms, and lower for food and beverages and other revenue. The differ-

ence is due to the fact that profitability, and thus the ability to pay rent, is higher for accommodation than for restaurant operations.

If the rent in the above case is paid at 35 percent of room revenue, then the rental income for Pandox is SEK 17,885,000 (51,100,000 x 0.35). In addition, there will normally be other income that in certain cases may be substantial. This means that Pandox's actual rent growth may be either higher or lower than RevPAR growth in the market.

Sweden RevPAR, real*



Source: Statistics Sweden, Pandox
*Inflation-adjusted (KPI)

REV PAR CATEGORIES OF CITIES WITH EXAMPLES

SEK	2021	2020	Change, %
International cities			
London	534	334	60
Amsterdam	268	254	5
Dublin	375	264	42
Regional cities			
Copenhagen	375	253	48
Hamburg	345	303	14
Cologne	284	274	3
Stockholm	326	247	32
Manchester	415	210	97
Domestic cities			
Leeds	406	203	100
Dortmund	222	202	10
Kuopio	520	507	3
Linköping	334	281	19
Sheffield	350	177	97

Source: Statistics Finland, STR Global, Benchmarking Alliance, Statistics Sweden

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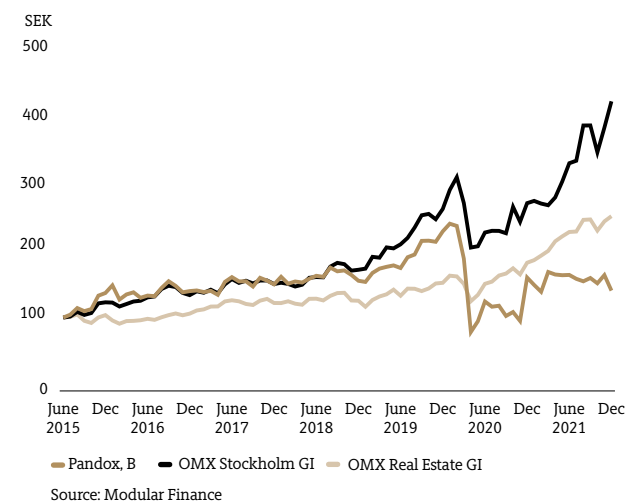
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Pandox and the capital market

Pandox's class B shares have been listed on Nasdaq Stockholm Large Cap since June 2015. Pandox's goal is to provide the capital market with open, reliable and accurate information on the Company's operations and financial development.

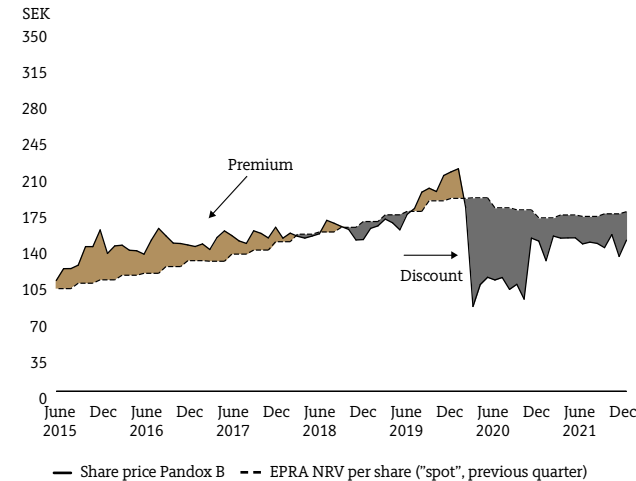
TOTAL RETURN ON PANDOX SHARES
18 June 2015–31 December 2021



Pandox's total return over time

The Pandox share's total return in 2021 was 0.5 percent. Calculated from the share's first trading day on 18 June 2015, the total return at year-end was 52.8 percent.

THE PANDOX SHARE AND EPRA NRV PER SHARE
18 June 2015–31 December 2021



Net asset value important in valuation of property companies

The valuation of a property company is normally based on its net asset value, which in simple terms is the difference between the market value of the property portfolio and net debt. In most property companies there are also derivatives, tax assets and tax liabilities that affect the net asset value. A premium is when market cap is higher than the net asset value and a discount is when market cap is lower than the net asset value.

📖 See page 135 for a definition of Pandox's net asset value according to EPRA NRV.

ANNUAL GENERAL MEETING

Pandox AB's Annual General Meeting will take place on Tuesday, 12 April 2022. For information about the AGM and how it will be held, go to pandox.se.

Annual General Meeting calendar

Record date for the Annual General Meeting	4 April 2022
Annual General Meeting	12 April 2022

PROPOSED DIVIDEND

The Board of Directors is proposing to the AGM that no dividend be paid for the 2021 financial year.

FINANCIAL CALENDAR

Annual General Meeting 2022	12 April 2022
Interim Report January–March 2022	27 April 2022
Interim Report April–June 2022	15 July 2022
Interim Report July–September 2022	27 October 2022
Year-End Report 2022	9 February 2023

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Hotel properties a small portion of the property market

Properties are a large and growing asset class with residential, retail, office and industry as the dominant segments. At year-end 2021 listed property companies accounted for around 3.7 percent of the value on the FTSE Global All Cap Index. Although hotel properties are growing as an asset class, this is still a very small portion of the total property market.

Few listed specialists (competitors)

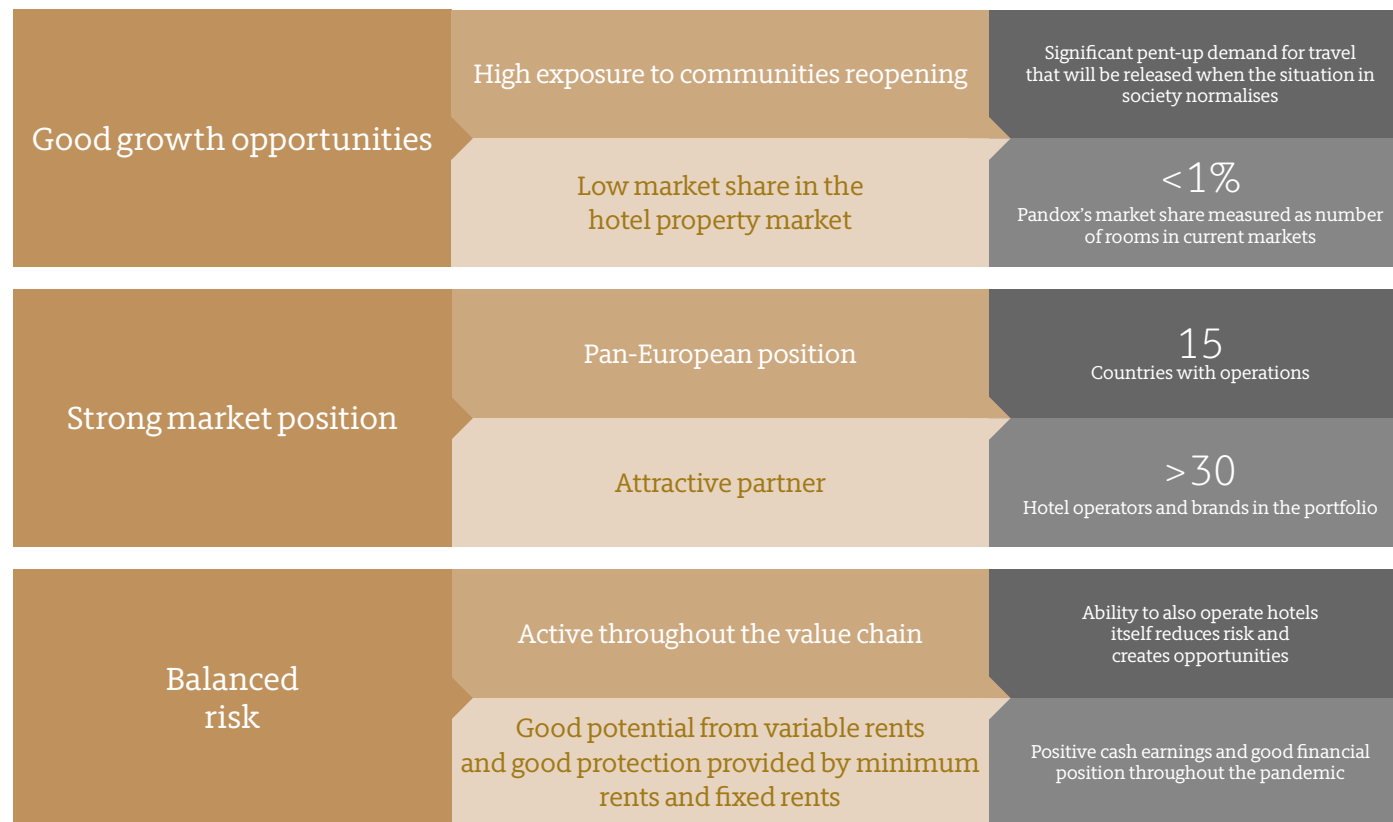
Listed specialists in hotel properties in Europe other than Pandox (Nasdaq Stockholm, PNDX) are PPHE Hotel Group (London Stock Exchange, PPH) and Covivio Hotels (Euronext Paris, COVH). Other property companies with significant hotel property exposure include Aroundtown (Frankfurt Stock Exchange, AT1) and Balder (Nasdaq Stockholm, BALD).

Hotel properties are a demanding class of asset

Hotel properties are an asset class that requires specialisation, active ownership and an industrial perspective for successful value creation. Time is also a key success factor. It takes a long time to acquire suitable properties, implement investments and build relationships with hotel operators and business partners that can develop and realise the hotels' full potential.

Replicating large hotel portfolios is not easy

It is hard to build large hotel portfolios. Even if there is capital available for acquisitions, systematic and long-term efforts are needed in a tough international environment to create a portfolio with an attractive risk and return profile. In this respect, Pandox's hotel property portfolio is unique.



Analysts who follow Pandox

ABG Sundal Collier
Fredrik Stensved
Markus Henriksson

Carnegie
Fredric Cyon
Erik Granström

DNB
Simen Mortensen
Niklas Wetterling

Handelsbanken
Johan Edberg
Oscar Lindqvist

Kepler Cheuvreux
Albin Sandberg

Morgan Stanley
Christopher Fremantle

SEB
Stefan E Andersson

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Listed on Nasdaq Stockholm

Pandox's class B shares have been listed on Nasdaq Stockholm's Large Cap index since 2015. The class B shares are also traded on several alternative marketplaces. This is the second time that Pandox has been a listed company. The first time was from 1997 to 2004.

Share price development and market capitalisation

On 31 December 2021 the last price paid for the class B shares was SEK 146.00 (145.20) and the visible market cap was MSEK 15,892 (15,783). With the unlisted class A shares included at the same price as the class B shares, the market cap was MSEK 26,842 (26,658).

In 2021 the change in the value of Pandox shares was 0.5 (-34) percent, compared with the OMX Stockholm Benchmark PI Index which increased by 32 (11) percent and OMX Stock-

holm Real Estate PI Index which increased by 44 (6) percent. Calculated from the date of listing, 18 June 2015, the value of Pandox shares at year-end 2021 had increased by 38 percent compared to 132 percent for the OMX Stockholm Real Estate PI Index and 86 percent for the OMX Stockholm Benchmark PI Index. The total return on Pandox shares over the same period was 54 percent.

Trading and liquidity

Trading on Nasdaq Stockholm accounted for 42 (60) percent of all trading in Pandox shares in 2021. Ongoing trading transacted directly on the stock exchange amounted to around 42 (50) percent and off-exchange trades reported on the stock exchange to around 34 (9) percent. Trading in other marketplaces amounted to around 24 (41) percent of the trading volume.

During the year around 79 (179) million class B shares

were traded on Nasdaq Stockholm, corresponding to around 43 (164) percent of outstanding class B shares at year-end, for a value of around MSEK 11,400 (19,800). Average daily trading during the year amounted to 312,085 (708,576) shares, corresponding to around MSEK 45 (78) in value.

Ownership structure and number of shares

As of 31 December 2021 Pandox had 10,760 (12,854) shareholders. Pandox's largest shareholders were Eiendomsspar AS, Helene Sundt AB and Christian Sundt AB. Other major shareholders were, in descending order, AMF Försäkring & Fonder, Alecta Pensionsförsäkring and Swedbank Robur Fonder.

The total number of shares is 183,849,999, of which 75,000,000 are class A shares and 108,849,999 class B shares. Class A shares entitle the holder to three votes and class B shares to one vote.

Largest shareholders as of 31 December 2021

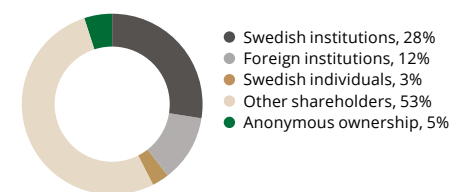
The 15 largest registered shareholders according to percentage of voting rights

Shareholder	Number of class A shares	Number of class B shares	% of share capital	% of votes
Eiendomsspar AS	37,314,375	10,144,375	25.8	36.6
Helene Sundt AB	18,657,188	4,912,187	12.8	18.2
Christian Sundt AB	18,657,187	4,312,188	12.5	18.1
AMF Försäkring & Fonder		26,220,212	14.3	7.9
Alecta Pensionsförsäkring		6,287,577	3.4	1.9
Swedbank Robur Fonder		4,328,697	2.3	1.3
Fjärde AP-fonden		3,575,291	1.9	1.1
Vanguard		3,330,903	1.8	1.0
BlackRock		2,194,057	1.2	0.7
Handelsbanken Fonder		1,994,800	1.1	0.6
Länsförsäkringar Fonder		1,970,851	1.1	0.6
APG Asset Management		1,450,645	1.0	0.5
Dimensional Fund Advisors		1,279,301	0.7	0.4
PGIM Investments		1,235,278	0.7	0.4
PriorNilsson Fonder		1,207,446	0.7	0.4
Total, top 15 shareholders	74,628,750	75,124,595	81.1	89.4
Other shareholders	371,250	33,725,404	18.9	10.6
Total	75,000,000	108,849,999	100	100

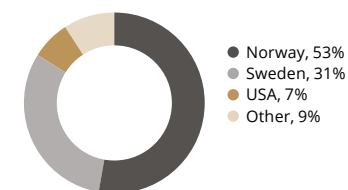
Information compiled by Monitor as of 31 December 2021.

Sources: Euroclear Sweden, Morningstar, Finansinspektionen (FI), Nasdaq and Millstream.

Shareholders by category as percentage of capital
31 December 2021



Shareholders by country as percentage of capital
31 December 2021



Information compiled by Monitor as of 31 December 2021. Sources: Euroclear Sweden, Morningstar, Finansinspektionen (FI), Nasdaq and Millstream.

SHARE FACTS

Market: Nasdaq Stockholm

Segment: Large Cap

Sector: Real Estate

Ticker symbol: PNDX B

Number of class B shares (listed):
108,849,999

Number of class A shares (unlisted):
75,000,000

Market cap: MSEK 26,842 (class A and B shares)

Share volatility:
37.3% (from 18 June 2015, annual basis)

Share beta value:
1.06 (from 18 June 2015, OMXSBPI)

Average daily trading volume:
312,085 shares (2021)

Source: Nasdaq, InFront, Euroclear, Monitor, Pandox. As of 31 December 2021.

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KEY RATIOS

	2021	2020	2019	2018	2017
Key ratios per share, after dilution effects ¹⁾					
Total net operating income, SEK	10.91	10.06	18.43	18.25	15.05
Profit for the year, SEK	3.32	-7.61	15.91	16.83	19.89
Cash earnings, SEK ³⁾	3.88	3.64	12.84	11.28	10.46
Equity, SEK ³⁾	137.14	129.88	143.32	127.63	119.38
Net asset value (EPRA NRV), SEK	173.54	167.60	186.40	164.04	144.54
Dividend, SEK ²⁾	—	—	—	4.70	4.40
Market cap and return					
Market cap, MSEK	26,842	26,658	38,976	24,555	26,549
Return, Pandox shares, %	0.5	-33.9	45.2	-7.5	12.1
Return, OMX Stockholm Benchmark Index, %	32	10.9	26.3	-8.3	6.6
Return, OMX Stockholm Real Estate Index, %	44	-5.9	59.2	9.7	6.7
Dividend pay-out ratio of cash earnings, %	—	—	—	41.6	44.4
Dividend pay-out ratio of EPRA NRV, %	—	—	—	2.9	3.0
Dividend yield, %	—	—	—	3.2	2.8
Share data					
Closing price, class B shares, SEK	146.00	145.20	212.00	146.60	158.50
Highest price during the year, SEK	168.10	227.50	219.50	170.00	161.70
Lowest price during the year, SEK	123.60	50.20	143.00	135.00	134.30
Average price during the year, SEK	144.40	110.76	182.55	151.73	147.87
Average daily trading volume, number of class B shares	312,085	708,576	120,273	120,121	135,226
Weighted average number of class A shares, before dilution effects, thousands	75,000	75,000	75,000	75,000	75,000
Weighted average number of class A shares, after dilution effects, thousands	75,000	75,000	75,000	75,000	75,000
Number of class A shares at end of period, thousands	75,000	75,000	75,000	75,000	75,000
Weighted average number of class B shares, before dilution effects, thousands	108,850	108,850	95,053	92,499	82,856
Weighted average number of class B shares, after dilution effects, thousands	108,850	108,850	95,053	92,499	82,856
Number of class B shares at end of period, thousands	108,850	108,850	108,850	92,499	92,499
Weighted average number of shares, total, after dilution effects, thousands	183,850	183,850	170,053	167,499	157,856
Total number of shares at end of period, thousands	183,850	183,850	183,850	167,499	167,499

¹⁾ For definitions of key ratios see page 177.

²⁾ For 2021 the Board's proposed dividend is stated.

³⁾ Attributable to the shareholders of the Parent Company.

SHARE CAPITAL HISTORY

Year	Event	Change in number of shares		Number of shares after the transaction			Share capital, SEK	
		B	A	B	A	Total	Change	Total
1994	Formation	2,500	—	2,500	—	2,500	150,000	150,000
1995	New share issue	1,250,000	—	1,252,500	—	1,252,500	75,000,000	75,150,000
1995	Bonus issue	1,247,500	—	2,500,000	—	2,500,000	74,850,000	150,000,000
1997	4:1 split	7,500,000	—	10,000,000	—	10,000,000	—	150,000,000
1998	New share issue	5,000,000	—	15,000,000	—	15,000,000	75,000,000	225,000,000
2000	New share issue	9,900,000	—	24,900,000	—	24,900,000	148,500,000	373,500,000
2013	New share issue	100,000	—	25,000,000	—	25,000,000	1,500,000	375,000,000
2015	New share series and 6:1 share split	50,000,000	75,000,000	75,000,000	75,000,000	150,000,000	—	375,000,000
2016	New share issue	7,499,999	—	82,499,999	75,000,000	157,499,999	18,749,998	393,749,998
2017	New share issue	10,000,000	—	92,499,999	75,000,000	167,499,999	25,000,000	418,749,998
2019	New share issue	16,350,000	—	108,849,999	75,000,000	183,849,999	40,875,000	459,624,998

Source: Euroclear, Pandox.

SIZE OF SHAREHOLDINGS AS OF 31 DECEMBER 2021

Holding	Number of shareholders	% of share capital	% of votes
1-500	9,287	0.5	0.3
501-1,000	644	0.3	0.1
1,001-5,000	577	0.7	0.4
5,001-10,000	95	0.4	0.2
10,001-20,000	37	0.3	0.2
20,001-50,000	38	0.7	0.4
50,001-	82	92.1	95.6
Anonymous ownership	—	5.0	2.8
Total	10,760	100	100

Source: Monitor as of 31 December 2021.

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Hotelism by Pandox

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Sustainability

Pandox's most important contribution to more sustainable growth is in developing profitable green properties and signing green supplementary agreements with hotel operators. The purpose is to create resource-efficient properties and operations that reduce Pandox's climate footprint while also growing the business.

	2021	2020
Total number of BREEAM certified properties	6	3
Renewable energy, %	41	38
Employee satisfaction, %	78	81



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About sustainability

We are accelerating the pace to offer sustainable properties

Ongoing climate change requires action. New legal obligations are being introduced at a fast pace, the EU Taxonomy Regulation being among the most impactful so far. It requires entities to show what actions they are taking and to create new forms of cooperation to solve the global sustainability challenges.

In a relatively short space of time sustainability has become a disruptive force in business and Pandox is working on finding its role in this new, fast-changing landscape, above all by identifying projects that create the most benefits in an industry with long investment cycles. It is an industry that also has to navigate and report according to the EU's new Taxonomy Regulation. The majority of Pandox turnover, capital expenditure and operating expenses is covered by the new taxonomy. We have also started to analyse what share of our economic activities is eligible with the taxonomy criteria – an effort that can be described as laying the tracks while the train is in motion, because new updates are coming all the time and many requirements are subject to interpretation.

Climate work requires new forms of cooperation

In 2021 Pandox established a strategy council consisting of representatives from the executive management team to set important strategic priorities for the Company's continued sustainability work. This includes how to limit our impact on the climate, but also how to adapt our business to meet new requirements and expectations from our stakeholders.

Pandox is focusing on integrating sustainability in a strategic and structured way throughout the property portfolio. The extent to which we can achieve this differs between our two business segments. In Operator Activities we can control our sustainability agenda ourselves, whereas in Property Management we are dependent on tenants making changes in areas such as energy consumption and how properties are operated. To achieve our ambition of resource-efficient properties throughout the portfolio, we therefore need to continue developing the way we work and to identify processes for cooperation with tenants, hotel guests and suppliers. This is a substantial and important task, the complexity of which should not be underestimated. There are multiple dimensions to consider, particularly in terms of contracting practices, accountability and willingness to invest. The pandemic has unfortunately shifted the focus in the hotel industry from development to survival, often at the expense of long-term, capital-intensive sustainability investments. I'm convinced that,

“In a relatively short space of time, sustainability has become a disruptive force in business.”

once the pandemic ends, we can work with our business partners to find the right processes, targets and incentives to create attractive and sustainable hotel products. Until then Pandox is running its own pilot projects to create climate-smart properties that will show how to generate value for all parties.

Climate resilience analysis and science-based targets

Another important area of focus is analysing how resilient Pandox's properties are against the effects of climate change – both physically and in terms of revenue. The need for this became very obvious last summer when one of our hotel properties was badly affected by the floods in Bad Neuenahr, Germany. We will therefore perform an in-depth climate resilience analysis of our properties and produce action plans where these are needed, starting in 2022.

We will also analyse what having science-based targets (SBT) would mean for Pandox, with the aim of submitting a commitment letter in 2022.

Certification process continues through green investment programmes

Pandox has a medium-term ambition to have all 20 properties that we operate classified as green. We are doing this through our green investment programmes, where BREEAM certification, at the Very Good level is proof that we are succeeding in this effort. The first programme, which covers 12 properties and ends in 2023, is progressing according to plan. A couple of the hotels have already exceeded their sustainability targets. In 2020 three properties received BREEAM In-Use certification at the Very Good level. In 2021 two additional properties received the same rating as part of the green



investment programme and one hotel within Property Management. A further seven properties have been submitted for assessment. Our aim is to launch a new investment programme for an additional six hotels in 2022. As part of this work, we have initiated a dialogue with Pandox's long-term lenders regarding green financing.

An inclusive and equal company

The pandemic has increased the labour shortage in the hotel industry. Many of those laid off or furloughed during the pandemic have retrained and applied for work in other industries. This is one of the most important challenges for us to solve within Pandox's Operator Activities. It is therefore even more important for us to take good care of the employees we have. In this respect Pandox has a strong platform to continue to build on. The Allbright organisation's equality and inclusion report in 2021 showed that Pandox has a strong culture in which employees feel included and respected. According to our own employee survey, all employees at the head office and within Property Management would highly recommend Pandox as an employer. We're really proud of that! We're getting ready for a new year – join us!

Stockholm, March 2022
 Caroline Tivéus
 SVP, Director of Sustainable Business

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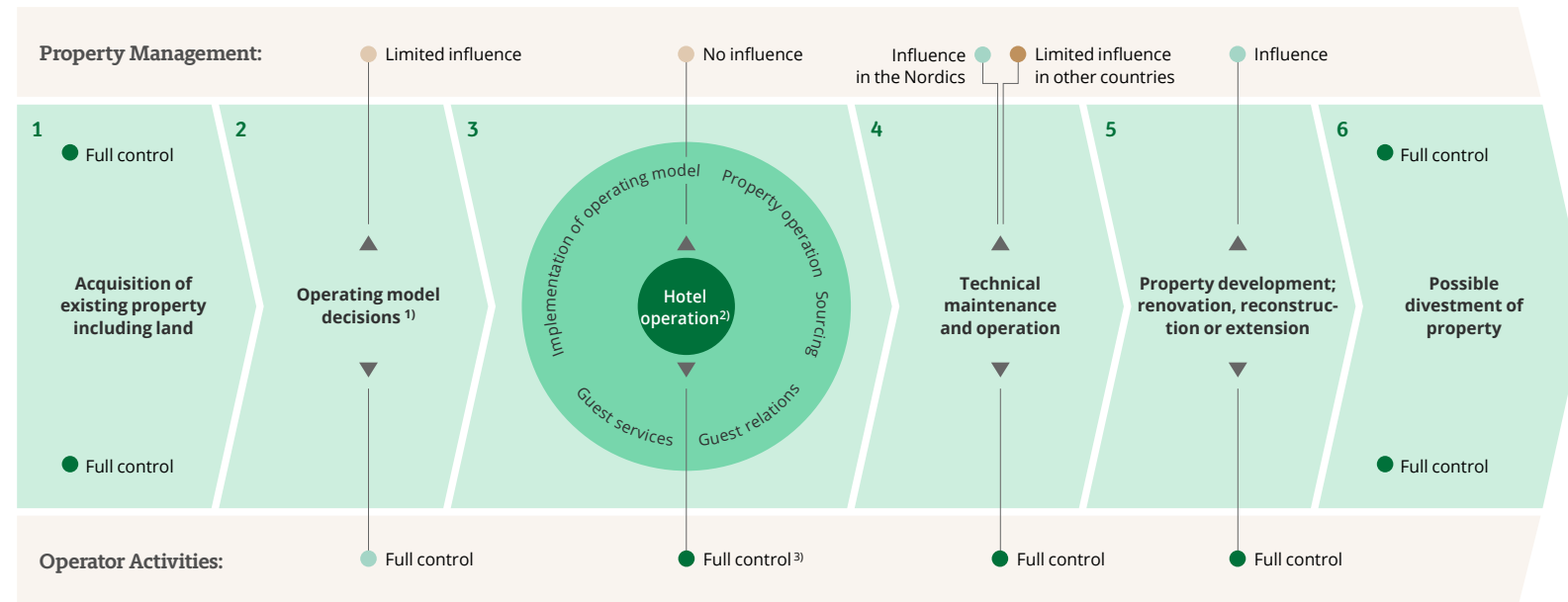
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Responsibility in the value chain

Pandox owns 157 hotel properties in Europe and Canada. 20 hotels are operated by Pandox in the Operator Activities business segment and the remaining 137 hotel properties are leased to other hotel operators in the Property Management segment. Pandox is thus active throughout the hotel industry value chain – with varying roles and responsibilities where sustainability is concerned depending on the business segment.

Pandox's value chain stretches from acquisition and property development, through leasing, technical maintenance and hotel operation, to reconstruction, renovation and possible divestment of properties.



Pandox's influence in the value chain

Pandox's influence on implementation of sustainability activities and on subcontractors engaged:

● Full control ● Influence ● Limited influence ● No influence

¹⁾ Pandox uses four operating models: 1. Rental agreement with hotel operator, 2. Operated by Pandox under management agreement, 3. Operated by Pandox under franchise agreement, and 4. Operated by Pandox with independent brand. Read more on page 23. If Pandox takes over a property where a lease already exists, Pandox cannot terminate the lease with the existing tenant until the contract term ends.

²⁾ There are many different aspects of operating hotels in which sustainability topics are relevant, such as property operation, responsibility for employees, purchasing, food and beverage, waste, cleaning and marketing.

³⁾ Exceptions in the form of management agreements may in a few cases affect Pandox's control.

Influence within Property Management

In Property Management, which makes up 83 percent of the property portfolio's market value (137 hotel properties), responsibility for the property and sustainability is shared between the hotel operator and Pandox. This shared responsibility is regulated in the lease and depends on the prevailing practices in each country.

The hotel operator is responsible for the hotel's day-to-day operation.

Pandox is responsible for technical maintenance and operation, development, more substantial renovations, and for reconstruction and extensions. Responsibility for investment in technical installations varies between the Nordics and other countries. In general Pandox has greater responsibility for the properties in the Nordics than in other countries.

It is the hotel operator, not the property owner, that is responsible for sourcing electricity, water, heating and cooling for the hotels. Pandox is therefore limited in its ability to influence the steps taken to reduce energy and water consumption at the hotel properties operated by the Company's tenants. Pandox's goal is to impact this by creating common incentives for improvement within the framework of supplementary agreements.

Influence within Operator Activities

Within Operator Activities, which accounts for 17 percent of the market value (20 hotels), Pandox has full control over hotel operation, sourcing of resources such as energy and water, waste management, technical operation and maintenance, technical installations, as well as sustainability topics relating to hotel personnel and guests etc. Properties are developed in close cooperation with Property Management.

Pandox's sustainability targets and strategy

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Pandox's overall sustainability goals are to offer its tenants resource-efficient properties that contribute to the UN Sustainable Development Goals, to reduce climate impact and to manage risks relating to climate change.

Pandox's sustainability work is aimed at promoting sustainable properties and operations, and creating new business opportunities.

The Company's sustainability strategy is based on Pandox's vision and business objectives, its impact on communities in terms of sustainability and climate change, and which issues the stakeholders consider to be important for Pandox to work on. Current trends and the risks and opportunities identified by the Company are also taken into consideration. Pandox has defined the most material sustainability topics and divided them up into five focus areas. Pandox's targets are presented in the section on each focus area.

Pandox's five sustainability focus areas and material topics contribute to the UN Sustainable Development Goals



[Read more about Pandox's vision, business concept, strategies and business model on pages 13–15.](#)

[Read more about sustainability risks on page 114.](#)

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An integrated approach

Sustainability is integrated into Pandox's business model and is growing in significance in day-to-day work. There are clear activities and targets for sustainability within each focus area. They take into consideration that conditions vary between Property Management and Operating Activities in terms of Pandox's sustainability work, which is based on collecting data from various operations within the organisation. The data is analysed and used as a basis for the Company to define which projects are relevant. Pandox's entrepreneurial culture and flat organisation, combined with its size as a leading hotel property company, allow decisions to be made quickly. The Company runs pilot projects on an ongoing basis within new areas. The projects with a positive outcome can be scaled up and applied in more areas of the Company. Pandox can thereby ensure that the right investment decisions are made – whether they focus on environmental, social or other areas.



External initiatives, conventions and memberships

In addition to following laws in the countries where Pandox operates, the Company also supports international initiatives and is a member of various associations.

International conventions and initiatives

- UN Global Compact
- UN SDGs and Agenda 2030
- ILO Declaration on Fundamental Principles and Rights at Work
- UK Modern Slavery Act
- International Bill of Human Rights

Membership of associations, organisations and industry initiatives

- Visita sustainability reference group
- Sweden Green Building Council
- European Public Real Estate Association (EPRA)
- Fastighetsägarna and its sustainability council
- GRI Sustainable Hospitality Global Committee

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On the agenda for 2021–2022

Stakeholder dialogue and materiality analysis

The world is constantly changing and, in particular, sustainability has landed high up on the political agenda, which has consequences for both Pandox and many of its stakeholders. In autumn 2021, to ensure that the Company is focusing on the most material sustainability topics, Pandox therefore conducted a new dialogue with its stakeholder groups and also performed a new materiality analysis.

The first step was an analysis of sustainability trends and in-depth interviews with expert stakeholders to identify any new sustainability topics that have appeared on the agenda. Surveys were then carried out in which the stakeholders had the opportunity to weigh in how much emphasis Pandox should place on each sustainability topic. New topics, such as biodiversity, climate adaptation, green transport and wellbeing, were also tested.

Then Pandox performed a materiality analysis to evaluate its economic, environmental and social impact on the external environment throughout the value chain within the various sustainability topics. Combining stakeholder perspectives with an assessment of Pandox's actual impact provides results that show which topics are the most important to focus on and where Pandox can make the biggest difference. The results will form the basis for Pandox's sustainability work and reporting in 2022 and onwards.

[Read more about the results for each stakeholder group and the results of the materiality analysis in Sustainability Note 2.](#)

EU Taxonomy Regulation

As a property company, Pandox is required to report according to the EU Taxonomy Regulation. This involves showing to what extent the Company's operations are environmentally sustainable and live up to the EU's environmental objectives.

Eight sustainable economic activities within Pandox were identified that are covered by the taxonomy. For 2021 Pandox needs to report what proportion of its operations are based on the economic activities eligible by the Taxonomy Regulation and what proportion that are not eligible. Three KPIs are to be reported: share of turnover, capital expenditure and operating expenses. The proportion of activities not eligible with the taxonomy is also to be reported. Pandox's whole property portfolio is included in the analysis.

In 2022 Pandox will continue to report the percentage of its operations eligible by the Taxonomy Regulation, but also state the percentage aligned with it. Each economic activity therefore needs to be broken down and analysed property by property. To be a sustainable activity, at this time they need to contribute to at least one of the EU's two climate objectives: climate change mitigation or climate change adaptation. In addition, the activity is not to significantly harm

any of the other environmental objectives and is to be carried out in compliance with the minimum safeguards regarding human rights.

Pandox's ambition is to report the percentage of activities that meet the criteria in its next Annual Report.

[Read more about the taxonomy in Sustainability Note 4.](#)

Science-based targets

As a property owner, Pandox impacts the climate and climate change impacts Pandox. One example is the flooding in Germany, the UK and Belgium in the summer of 2021. One of Pandox's hotel properties in Bad Neuenahr in Germany was totally destroyed.

The next natural step is for Pandox to set science-based targets (SBT). This will involve the Company setting targets in line with the Paris Agreement that will then be subject to approval by the Science Based Targets initiative (SBTi) organisation.

In a first step, Pandox will aim to analyse what having science-based targets (SBT) would mean for Pandox, and then submit a commitment letter in 2022.

Facts about the taxonomy

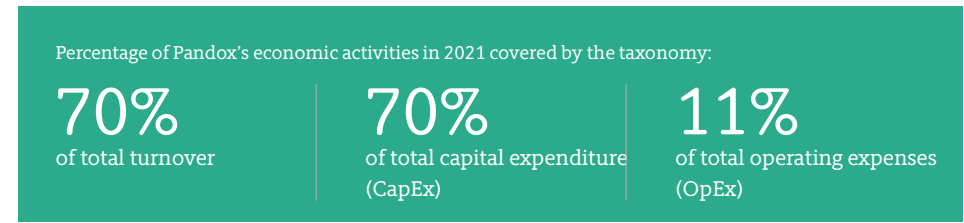
For an economic activity to be considered environmentally sustainable according to the EU Taxonomy Regulation, the activity must:

1. Contribute to at least one of six environmental objectives listed in the taxonomy
2. Do no significant harm to any of the other objectives
3. Comply with minimum safeguards for human rights

The EU's six environmental objectives

1. Climate change mitigation
2. Climate change adaptation
3. Sustainable use and protection of water and marine resources
4. Transition to a circular economy
5. Pollution prevention and control
6. Protection and restoration of biodiversity and ecosystems

[For a breakdown by economic activity, see Sustainability Note 4.](#)



Focus area: Environment and climate

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Pandox's most important contribution to more sustainable growth is made in developing profitable green properties. The goal is to create resource-efficient properties and operations that reduce Pandox's environmental and climate footprint, but that can also handle climate change impacts such as torrential rain and a warmer climate.

Pandox's main environmental impact comes from heating and electricity, and the use of building materials in activities such as renovation. Within the hotel industry, water consumption and waste management are also material sustainability topics. Pandox is therefore focusing on activities to reduce energy and water consumption, and to increase resource efficiency. The Company also works on an ongoing basis to increase reuse and recycling of energy, water and materials, and to transition to renewable energy sources when this is possible.

Pandox's reduction of GHG emissions ¹⁾ in 2021 is equivalent to

5,451 (2,125)

return flights
Stockholm–Brussels for one person ¹⁾

¹⁾ Scope 1 and 2. A return flight Stockholm–Brussels for one person in economy class = 342.5 kg CO₂e
(Source: klimatsmartsemester.se, Jan 2022)

Property Management Operator Activities – Pandox-operated hotels

Pandox's targets and results in the environment and climate focus area

Targets	Who is affected	Outcome 2021	Outcome 2020	Contributes to targets in the UN SDGs
BREEAM certification for buildings at the Very Good level 12 out of a total of 20 properties in Operator Activities by 2023 ¹⁾		5 of 20 hotels ⁴⁾	3 of 20 hotels	Targets 6.4, 7.2, 7.3, 8.4, 11.6, 12.4, 12.5, 13.1 and 15.5
Sustainability certification for operation 100% of hotels operated by Pandox no later than three years after acquisition		100% of 20 hotels	100% of 20 hotels	Targets 6.3, 6.4, 7.2, 7.3, 8.4, 11.6, 12.4, 12.5 and 13.1
80% of external hotel operators' hotel operations no later than 2025 ²⁾		63% of 137 hotels	80% of 136 hotels	Targets 6.3, 6.4, 7.2, 7.3, 8.4, 11.6, 12.4, 12.5 and 13.1
Percentage of renewable energy to reach at least 80% within Operator Activities by 2025 ³⁾		48% of 20 hotels	38% of 20 hotels	Target 7.2
Install solar panels 30% of all hotels in Operator Activities no later than 2023 ³⁾		25% of 20 hotels	15% of 20 hotels	Target 7.2
Reduce food waste by an average of 30% per hotel in Operator Activities no later than 2023 ¹⁾		0% of 14 hotels Delays due to Covid-19 and delivery delays.	Paused due to Covid-19	Targets 8.4, 12.3 and 12.5
Reduce resource consumption Implement Pandox's green investment programme no later than 2023 to reduce energy consumption, water consumption and GHG emissions.		Decrease <ul style="list-style-type: none"> • gas: -25% • electricity: -22% • water: -15% • CO₂ emissions: -24% 	Decrease <ul style="list-style-type: none"> • gas: 0% • electricity: -8% • water: -12% • CO₂ emissions: -7% 	Targets 6.4, 7.3, 8.2, 8.4 and 11.6
Sign green supplementary agreements 1–5 signed agreements no later than 2025 ³⁾		Ongoing dialogue	Paused due to Covid-19	Targets 6.4, 7.2, 7.3 and 8.4

¹⁾ Compared with 2020 ²⁾ Compared with 2018 ³⁾ Compared with 2019 ⁴⁾ One additional property was certified within Property Management during the year. A total of six properties are certified.

Climate impact and climate adaptation

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Pandox's climate impact comes from its GHG emissions, but climate change is also having an impact on Pandox. One of the Company's hotel properties in Germany experienced this last summer when catastrophic floods swept through Europe. Dorint Hotel Bad Neuenahr in Germany was hit hard by the floods and has had to remain closed since then.

GHG emissions from energy, building materials and purchased goods

Pandox's largest sources of direct GHG emissions come from fuel combustion in its own operations and any leakage of refrigerants, which give rise to Scope 1 emissions. Pandox also purchases electricity, district heating and cooling, which give rise to Scope 2 emissions. Pandox's total market-based GHG emissions in Scope 1 and 2 amounted to 6,112 (7,979) metric tons of CO₂e.

In 2021 Pandox focused on gaining a better understanding of GHG emissions that arise in the value chain and that the Company is indirectly responsible for. The Company's largest Scope 3 emissions upstream in the value chain come from purchased building materials, products and services, mainly in connection with new construction, reconstruction of properties and hotel renovations.

For the first time, Pandox performed a lifecycle analysis of the first part of the value chain for a new build project, a reconstruction project and two hotel renovations. Also in 2021, Pandox conducted a spend analysis of the supplier ledger for purchased goods and services. The purpose of these analyses was to get a better understanding of GHG emissions upstream in the value chain and to identify

ways of reducing emissions going forward. The lifecycle analyses showed, among other things, that building carcasses and beam structures constituted the largest emissions items in new construction, and in renovations, furniture was the largest item. A key factor in reducing emissions in the future will be to choose the right materials, but also the right supplier and the right product.

Downstream in the value chain means emissions from tenants' hotel operation, mainly from energy consumption, which is the single largest emissions category.

Pandox is also working on reducing emissions from waste and business travel. Corporate travel is business-critical in order to develop Pandox's operations. It does, however, give rise to a significant share of emissions. The handbook for head office employees has travel instructions urging them to choose alternatives to air travel if possible. During the year Pandox has in large part used digital conferencing platforms instead of having physical meetings.

Through a solar energy project in India, Pandox was able to carbon-offset its Scope 1 emissions, which amounted to 3,511 (4,276) metric tons of CO₂e. The project has Gold Standard certification.

[Read more about GHG emissions in Sustainability Note 6.](#)

Analysis of 2021 climate risks

Pandox's insurance advisor performed desktop analysis of all hotel properties regarding risks caused by the current climate conditions, for example exposure to flooding, torrential rain, earthquakes, heatwaves etc. The results show that a few properties are consid-

ered to have high or significant risk. They also conducted on-site risk inspections at 15 hotels. Two hotels were determined to have elevated exposure to flood risk. Preventive steps have been taken.

Work on future-proofing the properties and adapting them for a changed climate and society will be intensified in the years ahead.

Climate scenario analysis 2050

In 2021 Pandox held a workshop for the executive management team on climate change and the Task Force on Climate-Related Financial Disclosures (TCFD), in which an initial analysis of climate scenarios for 2050 was made. ¹⁾ Two climate scenarios were analysed – a worst case scenario in which the world has failed to transform, emissions continue to increase and the physical risks of climate change become a reality, and a best case scenario in which the world has successfully collaborated, transformed society and met the Paris Agreement's 1.5 degree target.

The purpose was to prepare the Company's strategies, operations, properties and finances for various potential future climate scenarios. An initial analysis was performed of long-term climate-related risks and opportunities, and how these would impact the Company. See the next page.

Pandox will continue to evaluate long-term climate risks and opportunities, develop its climate reporting according to TCFD and the EU taxonomy and continue to make climate assessments of the properties. This will provide knowledge about which properties may be affected by a changed climate and society, and what is required in order to adapt the Company's operations to handle a volatile climate. This is an important foundation for decisions on necessary climate adaptations, and to remain a relevant and attractive property owner in the long term.

¹⁾ Sources: TCFD "The Use of Scenario Analysis in Disclosure of Climate-Related Risks and Opportunities", UN IPCC, and smhi.se/klimat/framtidens-klimat



Dorint Hotel Bad Neuenahr after the floods.

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2050



Best case scenario 2050 (IPCC scenario RCP 1.9)

The world in 2050 – best case scenario

- GHG emissions close to net zero by 2050
- +1.5–4° temperature rise in Europe (globally 1.5°)
- Global sea level rise of around 20 cm (around 30–80 cm by 2100)
- Nations of the world working together on joint initiatives
- Tough policies and legal regulations and control mechanisms such as taxes have been introduced
- Extremely fast transformation of society, infrastructure and buildings has taken places and low energy intensity has been achieved
- Strong increase in new technology and digitalisation
- Increased regulation with sustainability requirements for e.g. land use, building standards
- More calls for action – from customers, investors and authorities
- Lower population increase (around 9 billion in 2100)

POTENTIAL CLIMATE RISKS AND OPPORTUNITIES FOR PANDOX ¹⁾

Physical risks (acute and chronic)

- Extreme weather and floods are slightly more common and may damage Pandox's properties
- Sea levels are rising slightly. This could potentially impact properties in coastal locations.
- The average temperature is rising, which increases the need for ventilation and cooling at the hotels.
- Somewhat higher temperatures and a small increase in the number of heatwaves may lead to some water shortages.
- Shortages of, for example, natural resources, water, materials and raw materials needed for operations, construction and renovation may arise.

- Shortages of certain natural resources, raw materials and energy may arise, resulting in more expensive input goods.
- The electrification of society may create a power shortage.

Opportunities

- Aligning development of the hotel properties with upcoming requirements and practices to remain an attractive and relevant property owner.
- Climate-adapted and resource-efficient properties reduce the amount of energy needed.
- Continued investment in regional properties to meet increased regional travel demand.
- Identify other segments or new ways of using hotel properties.
- Refine the property portfolio by verifying the climate resilience of properties before acquiring them, and prioritising the properties that meet the standards and have significant potential.
- Produce renewable energy by, for example, installing solar panels on roofs or investing in solar parks. This mitigates power shortages and rising electricity prices.
- Install charging stations for electric vehicles in hotel parking areas to meeting the guests' needs.
- Implement green supplementary agreements with tenants.
- Initiate collaboration with suppliers of the materials accounting for Pandox's largest emissions, to reduce these together.
- Use materials and resources more efficiently by focusing on recycling and reuse.

Transition risks

- Political decisions, taxes and regulations are introduced regarding GHG emissions and transformation.
- International travel patterns and modes of transport change. The travel taking place is fossil-free and more regional. There are changes to transport systems. This may result in a risk of hotel properties being in the wrong locations.
- Increased pressure on the Company and the properties from law-makers, investors, partners and guests to perform in energy efficiency.
- The properties' perimeter protection and their ventilation, cooling, energy and water systems need to be upgraded or replaced. New technology needs to be installed and fossil energy replaced by renewable energy.
- There is a risk of some properties not meeting new demands from tenants and society, or of being too expensive to transform.

POTENTIAL FINANCIAL AND STRATEGIC IMPACT ON PANDOX ¹⁾

Financial impact

- Significant investment is required to climate-adapt Pandox's property portfolio.
- Reduced operating costs relating to energy and water due to more resource-efficient systems and new technology.
- Lower cost of managing, operating and insuring properties etc.
- Increased financing requirements for investments and transformation of the property portfolio.
- Reduced property values for properties that are not attractive or are too expensive to reconstruct.
- Increased revenue and rising value of properties if Pandox can offer tenants climate-adapted hotel properties.

Impact on strategy and operations

- The property portfolio needs to be transformed to increase the number of new buildings, reconstructions and divestments of older buildings.
- Extensive investment in new technology, fossil-free energy, more efficient use of water and energy, better ventilation etc. is needed throughout the property portfolio.
- The organisation needs a more long-term approach to climate strategies and targets.
- The business model needs to be more flexible – can the properties be used for something other than hotels?
- The lease structure needs to be changed to include green supplementary agreements.
- Sustainability efforts must continue to be developed and must encompass all parts of the organisation and all employees.

¹⁾ Sources: TCFD "The Use of Scenario Analysis in Disclosure of Climate-Related Risks and Opportunities", UN IPCC, and smhi.se/klimat/framtidens-klimat

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Worst case scenario 2050 (IPCC scenario RCP 8.5)

The world in 2050 – worst case scenario

- GHG emissions continue to increase at today's rate
- The world is still significantly dependent on fossil fuels
- Energy intensity remains high
- Temperature rise in Europe is around 2-5° in 2050
- Rising sea levels of up to around 0.5 m (reference point Malmö, taking into account land uplift)
- Increased risk of floods, water encroachment, erosion etc.
- More days of extreme weather: rainfall, storms, heat and drought
- Lower volumes of snow in the mountains
- No revolutionary change in political and legal requirements and regulations
- No revolutionary transitions made

POTENTIAL CLIMATE RISKS AND OPPORTUNITIES FOR PANDOX ¹⁾

Physical risks (acute and chronic)

- Extreme weather and floods may cause more damage to Pandox's properties.
- Rising sea levels in combination with storms and torrential rain may cause damage to properties.
- With higher temperatures and more heatwaves, properties may not, for example, have sufficient ventilation and cooling. This could lead to an inferior indoor climate for guests and employees.
- A serious shortage of, for example, natural resources, water, materials and raw materials needed for operations, construction and renovation may arise.

Opportunities

- Be an attractive property owner by investing in climate-adapted properties with a good indoor climate.
- Increased regional travel can create new business opportunities in new areas.
- Acquiring newly built hotels in the right locations and for the right target group may be an opportunity.

Transition risks

- Travel patterns and demand in submarkets may change. Properties located in areas at risk of flooding may become unusable.
- Reconstruction of urban infrastructure may result in hotel properties being in the wrong locations.
- Investments are postponed because demand for and/or the cost of climate change adaptation does not correspond to the value. This creates a pent-up investment requirement for Pandox.
- Unchanged behaviour among tenants, investors and guests increases emissions and makes attempts at transformation more difficult.

POTENTIAL FINANCIAL AND STRATEGIC IMPACT ON PANDOX ¹⁾

Financial impact

- Increased operating costs for insurance, administration, operation, maintenance and materials.
- Volatile and/or rising energy costs and water costs.
- Increased investments in climate-adapted properties.
- Lower property values for a increasing number of properties that are not able to handle physical climate impacts or are located in risk areas.
- Increased property values for climate-adapted properties.
- Long-term reduction in revenue due to lower demand for properties that are not climate-adapted.

Impact on strategy and operations

- The organisation is forced to be more reactive instead of proactive, to handle an increased number of acute crises at the properties.
- Newly built properties are prioritised to a greater extent, and in new locations, to capture business opportunities.
- Inferior properties are sold in order to get out of long leases.
- Strategies and business models become more flexible and are constantly evaluated.

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Energy consumption

Pandox's operations require continuous access to energy, as there is activity at the properties more or less around the clock. Energy is, for example, needed to heat the hotel properties, and for ventilation and cooling, lighting and kitchen equipment. It is therefore of the utmost importance to use energy efficiently. The total energy consumption of Pandox's entire property portfolio (where measured data is available) increased by 10 percent in 2021 compared with the previous year. This was a result of higher occupancy at the hotels when pandemic restrictions were eased and travel increased. All of the energy measures implemented within Operator Activities have not yet had an effect.

[Read more about energy consumption in Sustainability Note 5.](#)

[Read more about the green investment programme on page 47.](#)

Green electricity – vital to climate transformation

Pandox is working towards a long-term goal of increasing the use of renewable energy sources as part of the Company's ambition to offer green properties. In 2021 the total share of renewable energy – for example from wind and hydropower – was 41 (38) percent of the total energy consumption. For hotels within Property Management renewable energy accounted for 39 (38) percent and in Operator Activities, 48 (38) percent.

In the case of some hotels, Pandox has no influence over the choice of energy source due to the structure of the lease.

The electricity produced within Pandox's own operations in 2021 is equivalent to

1.67 million hours of

TV viewing in a hotel room. ¹⁾

¹⁾ A 42" plasma TV uses 0.350 kWh per hour.

Solar panels – an opportunity for hotels

Pandox's aim is to install solar panels on hotel roofs within Operator Activities if the conditions are good. The goal is for 30 percent of the hotels in Pandox's Operator Activities segment to have solar panels installed on their roofs no later than 2023.

In 2021 solar panels were installed at Hilton Brussels Grand Place and Hilton Garden Inn London Heathrow. This means that 25 (15) percent of the 20 hotels now have solar panels installed. In 2022, solar panel installation is planned for Holiday Inn Lübeck and Mayfair in Copenhagen. More hotels are being evaluated.

At the hotels it operates, Pandox produced a total of 1,000 (310) MWh of solar energy in 2021.



Solar panels at Holiday Inn Brussels Airport

Energy saving projects in Property Management

For Pandox as a property owner – in order to maintain property values and reduce operating costs, but also from an environmental perspective – it is very important to maintain the properties and make them more energy efficient.

In 2021 several energy-saving projects were implemented within Property Management for estimated annual savings of almost 520,000 kWh and 7.6 million litres of water.

Motel One Copenhagen in Denmark has achieved energy savings estimated at 60,000 kWh per year by improving roof insulation and installing energy-efficient lighting in hotel rooms and corridors.

Scandic Crown, which is one of Gothenburg's largest hotels with more than 300 rooms and a conference and restaurant section, installed new fans and fan motors during the year, which will save an estimated 21,000 kWh annually.

Vildmarkshotellet in Kolmården was renovated in 2021. This involved installing new taps and shower heads for an estimated reduction in water consumption of more than 200,000 litres per year. More energy-efficient lighting was also installed at the hotel, which is expected to bring energy savings of 3,300 kWh per year.

At Elite Stora Hotellet in Jönköping around 85 percent of the heat is now recycled using heat exchangers, which will provide estimated savings in heat consumption equivalent to 90,000 kWh per year.

Comfort Hotel Börsparken in Oslo was renovated during the year, involving the installation of additional insulation in the facade and new windows, aimed at maintaining and improving the energy efficiency of the property. It is estimated that this will save more than 30,000 kWh per year.

[Read more about energy consumption in Sustainability Note 5.](#)

Pandox's green investment programmes for hotels it operates

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As Pandox mainly acquires existing buildings that are often quite old, there is significant potential and also a responsibility to develop and renovate the properties to make them more resource-efficient. Pandox has launched a green investment programme for the years 2020–2023. The goal is to reduce gas consumption by 25 percent, electricity consumption by 35 percent and water consumption by 20 percent. This will reduce GHG emissions by 20 percent. The programme includes 12 of Pandox's 20 properties in Operator Activities. These hotels are located in Germany, Belgium, the UK and Finland.

The programme is focusing on measures to reduce energy

and water consumption, and on technical installations such as building monitoring systems with integrated submeters. This provides, for example, an opportunity to trace where in the property usage occurs and to discover any water leaks. At the end of the year, all the hotels had building monitoring systems with submeters installed for more climate-smart management of the buildings. The programme is also helping to improve guest comfort through better control over heating, ventilation and cooling systems.

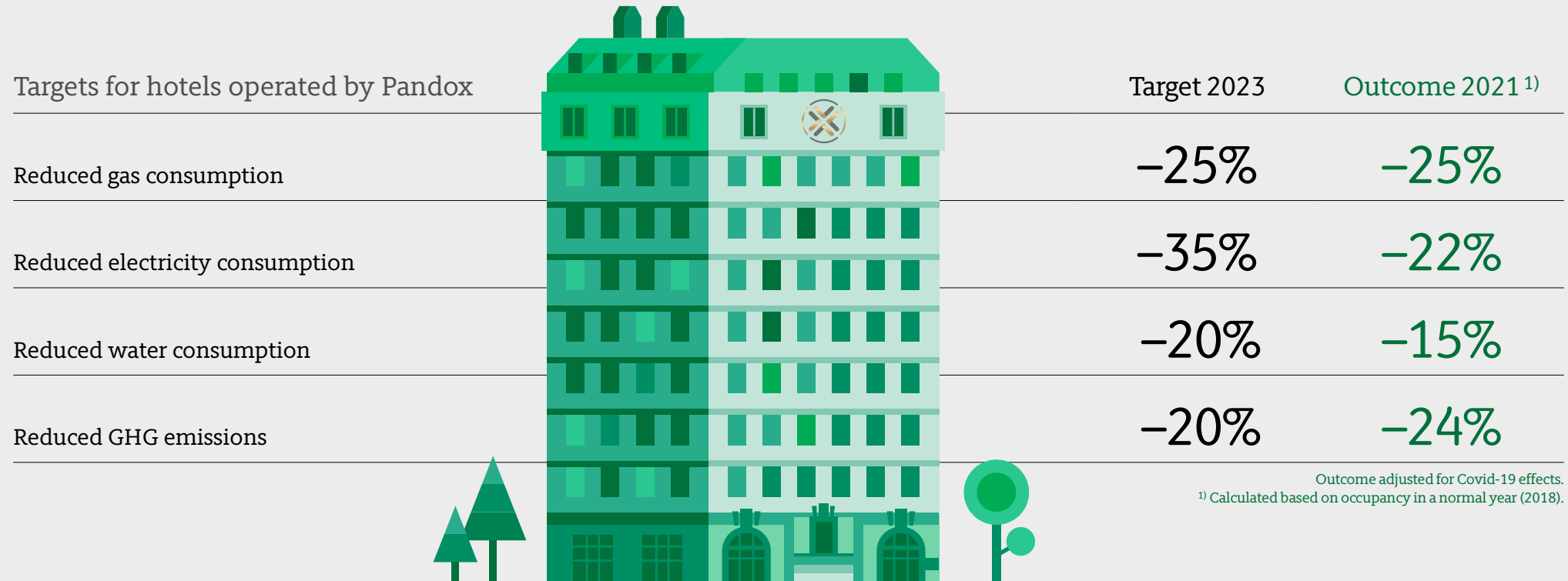
It is important to generate commitment and awareness in this area among general managers and technical administrators, so that the programme has the level of focus necessary to

achieve successful outcomes. This includes training for the individuals who will manage the new systems so that they can monitor consumption on a daily basis and adapt the system to actual needs.

The total investment in the current green investment programme is around MSEK 80 and the average return on investment is estimated to be around 20 percent. In 2021 we were able to see the first savings, but the main effect is expected to be realised in 2022.

In 2021 a new investment programme, 2.0, was created for an additional six hotels in Pandox's Operator Activities segment. The aim is for work on this to start in 2022.

Targets for hotels operated by Pandox



Outcome adjusted for Covid-19 effects.
¹⁾ Calculated based on occupancy in a normal year (2018).

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Water consumption

Water shortage in major cities

A shortage of water is an accelerating problem in some parts of the world. There are also areas in Europe that are now classified as water-stressed, i.e. where the amount of fresh water is no longer sufficient to meet the needs of society. Pandox uses water in water-stressed areas, including London and Brussels. Efforts to improve water consumption efficiency are therefore very important.

[Read more about water consumption and water-stressed areas in Sustainability Note 7.](#)

Water consumption at the hotels

Water consumption in the hotel properties is affected by how much showering, dishwashing, cleaning, laundering, flushing and watering takes place. Pandox is aiming to reduce its water consumption by installing water-saving equipment and changing employee and guest behaviour around water consumption. Today the majority of the hotels in Operator Activities are involving their guests in this effort by informing them of the hotel's ambition to reduce water consumption. In 2021 Pandox continued implementing a metering system for water consumption at hotels in Operator Activities. Any leaks or deviations from the normal daily water consumption are registered in realtime, making it possible to quickly identify and remedy problems such as leaks by responding to an alert.

[Read more about reduced water consumption under Pandox's green investment programme on page 47.](#)

Waste and recycling

By setting clear targets, Pandox aims to constantly reduce the volume of waste in operations. One important strategy is to work in a more circular way by reducing waste volumes and by reusing and recycling resources. Pandox's largest waste items are plastics, packaging and food waste. In 2021 Pandox generated 6.4 (1.4) metric tons of hazardous waste, for example in the form of IT equipment, batteries and wastewater residuals, and 1,389 (1,276) metric tons of non-hazardous waste such as domestic waste, paper and plastic in Operator Activities. Of this, 641 (540) metrics tons of waste went to recycling.

In 2021 a desktop analysis was carried out for the hotels in the green investment programme. It revealed large differences in levels of knowledge about waste management and reporting. To address this, a pilot project was implemented at Hilton Grand Place in Brussels. Inflow and outflow were analysed on site and the results showed that 53 percent of waste was not sorted. This resulted in an action plan that is expected to save at least 21,000 kg of GHG emissions per year. Examples of actions introduced are training personnel in sorting and recycling, not accepting

packaging from suppliers, not using plastic packaging for food, and composting food waste. In addition, AI-based sensors were tested in waste receptacles to weigh the waste and optimise collection. The same process will be implemented at other hotel properties operated by Pandox, taking into account the situation and waste streams at the properties, as well as national laws and practices.

Based on the desktop analysis, a target has been set for hotels operated by Pandox to reduce unsorted waste to 40 percent and to increase recycled waste to 60 percent by the end of 2023. Delivery on this target will be verified on an ongoing basis through on-site checks.

A project to phase out all plastic bottles in guest rooms and restaurants and replace them with glass bottles continued in 2021 at the hotels in Operator Activities. As the restaurants at all of the hotels have been closed for periods of time during the pandemic, implementation of this project has been delayed. The timeframe will therefore be extended to the end of 2022 and the project will be incorporated into the waste audit process.

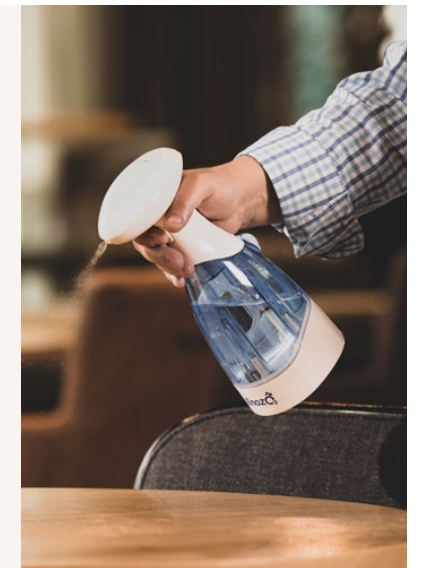
[Read more about waste in Sustainability Note 8.](#)

Chemicals

Chemicals are mainly used in hotel cleaning in Operator Activities and in replenishing refrigerants following leakage.

Pandox is aiming to reduce the amount of harmful chemicals as they not only have a negative impact on the environment and climate, but also on employee health and safety. Six out of seven hotels operated by Pandox in Brussels supplemented or switched entirely to non-chemical cleaning products in 2021. In Germany the corresponding figure was 60 percent. The project will continue in 2022.

Pandox has also decided to switch from synthetic refrigerants to natural refrigerants, such as carbon dioxide or propane, to the greatest extent possible at the hotels it operates. This is to reduce environmental impact and GHG emissions.



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Reduced food waste from restaurants

More than one third of all food globally is thrown away, which is equivalent to around 10 percent of global GHG emissions. On average, food waste represents 4–12 percent of a hotel's food costs ¹⁾.

Pandox has enlisted the help of foodtech company Winnow, which has a system to categorise and register all food that is thrown away. The aim is to increase awareness of overproduction and to improve purchase planning. The project was to be launched in 2021 but was delayed due to the pandemic, as it requires at least 30 percent occupancy and open restaurants to generate the critical mass of food waste needed for reliable analysis. In December Winnow, like many other companies

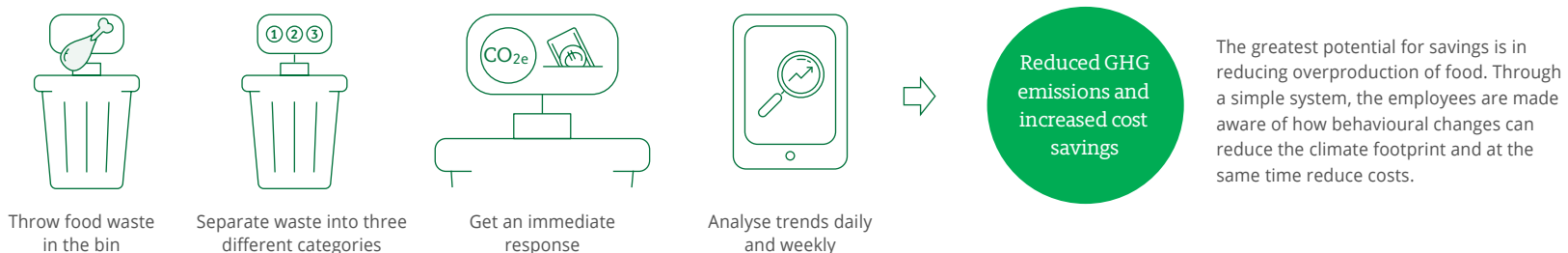
during the pandemic, also had problems with hardware deliveries. As the categorisation process is complete, the rollout of the system will take place as soon as the hardware is delivered. The project covers 15 of the hotels that Pandox operates within Operator Activities. The five other hotels operated by Pandox will not be part of the project as restaurant operations at four of them are too small to be relevant and one hotel was closed for renovation, but will introduce Winnow in 2022.

Around 2,300 hotels in the European hotel industry have started to use the Too Good To Go app, which allows hotels to offload surplus food at a discounted price instead of throwing it away. This will become part of Pandox's food waste project.

There will also be a process to identify what proportion of food purchases are locally sourced or can be replaced by food from local suppliers.

Alongside these efforts, Pandox is encouraging the use of other solutions at the hotels to reduce food waste and create behavioural change, which will also help to reduce GHG emissions. In the autumn DoubleTree by Hilton Brussels City replaced the buffet in its conference department with plated portions and achieved a dramatic reduction in food waste of 53 percent. The hotel is now offering its guests more vegetarian/vegan options and aiming to switch to more local suppliers.

Pandox is reducing food waste in cooperation with food tech company Winnow



¹⁾ According to analysis performed by Winnow.

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Property inspections

Conducting various types of inspections at Pandox's properties is an important tool to ensure the quality and safety of the products for guests, visitors and employees in the properties.

Pandox carries out annual internal product and lease inspections within Property Management. The purpose is to ensure that the properties are in good condition and tenants are meeting their commitments. The inspections lead to direct actions and form a basis for contract negotiations. A total of 76 (69) such inspections were performed in 2021.

Pandox also performs building surveys on a regular basis to check on the condition and functioning of the properties. This is particularly important in connection with planned

reconstructions, additions or extensions. A structural survey of the properties is also performed in connection with acquisitions, based on functions and regulatory requirements, but also focusing on environmental risks such as contaminated land.

Annual risk assessment

In addition, Pandox's insurance brokers perform annual risk assessment on 10 percent of Pandox's properties, focusing on the risk of fire or property damage. As of 2020 these inspections include risks caused by climate change, such as a building's exposure to floods, heavy rainfall, earthquakes, heatwaves etc.



A property inspection in progress.

Green supplementary agreements

To achieve Pandox's goal of offering its tenants green properties, it is important to first enter into green supplementary agreements with the tenants within the Property Management segment. To be able to enter into such agreements, Pandox and the tenant need to share the same view of climate issues because climate change has altered the rules of the game and requires faster transition than the average length of an agreement. The aim is to create common incentives to reduce environmental and climate impacts in both the properties and hotel operations, with clear monitoring. This is because properties and operations are dependent on each other to achieve the desired effect.

The long-term goal is to enter into green supplementary agreements with all tenants.

The pandemic has temporarily shifted the focus from long-term, capital intensive sustainability investments in the hotel industry to survival. In 2021 dialogue was resumed with one of the larger tenants in connection with lease renegotiation, but due to the effects of the pandemic the negotiations had to be postponed until 2022. Further dialogue will take place in 2022. Pandox is convinced that more opportunities will open up after the pandemic. Until then, Pandox is running a pilot project to explore what the process could potentially look like with the tenants.

(>) For data on energy, GHG emissions, water and waste, see Sustainability Notes 5-8.

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Environmental certification

An important element of Pandox's work is to obtain environmental certification for the properties and operations. This independent third-party certification is a mark of quality and provides proof of the efforts being made at the hotel properties. Certification is a tool to improve environmental performance by implementing measures in buildings as well as in management processes and operations. It is also a good tool to increase internal knowledge of and commitment to environmental work.

Certification of properties

BREEAM is the established standard in Europe for green buildings. The certification process involves assessment and a scoring system in the following categories: Energy, Transport, Water, Waste, Pollution, Health and Wellbeing, Land Use & Ecology, Materials, Innovation and Management. Pandox's aim is to achieve a BREEAM In-Use rating of Very Good. The goal is to certify all 12 properties included in Pandox's first green investment programme no later than 2023. At the beginning of the year three properties were certified at the Very Good level. In 2021 an additional two hotel properties were certified at the same level within Operator Activities. The remaining seven properties are waiting to receive certification and are expecting to be notified in spring 2022. The properties are located in Germany, Belgium and the UK.

In 2021 Pandox decided to seek certification for an additional six properties in Operator Activities no later than 2024 as part of Pandox's new green investment programme 2.0.

Certification of Pandox's properties in Property Management that are leased to other hotel operators is also an important area of focus. However, here agreement and cooperation are needed between Pandox and the tenant before a decision on certification can be taken. To obtain certification it is necessary to upgrade, for example, systems and technical installations, and a significant commitment from the tenant's employees is also needed. Various routines must also be integrated into the hotel operator's day-to-day operations and maintenance plans. At this time, this is outside existing lease structures, which means that the tenants need to regard BREEAM certification as a business opportunity for them as well.

In 2021 Scandic Luleå was BREEAM-certified as a pilot project within Property Management, with positive results. The project is being used as a basis for further discussions with tenants about certification and green supplementary agreements.

➤ *Read more about Pandox's green investment programmes on pages 47 and 52.*

➤ *Read more about Pandox's green supplementary agreements on page 50.*

Certification of hotel operations

Pandox's ambition is for all of the hotels in Operator Activities to have Green Key certification within three years of operations being taken over, unless they already have another environmental certification. Green Key certification is one of the leading standards for environmental responsibility and sustainable operations in the tourism industry, including for hotels. Certification means that clear environmental measures

have been identified, are being implemented and are leading to reduced energy and water consumption, renewable energy use, waste sorting at source and recycling, and the purchase of eco-labelled cleaning products and organic food. Operations are also to focus on social responsibility as well as communication and cooperation with guests and other stakeholders.

100 (100) percent of the 20 hotels within Pandox's Operator Activities segment had environmental certification as of the end of 2021. Of the 137 hotels within Property Management, which are operated by tenants, 63 (80) percent had some form of environmental certification of hotel operations. As a result of the pandemic, some hotels have not been able to renew their certification. The main certifications used are Green Key, Nordic Swan and ISO 14001. Pandox follows up annually on environmental certification and is in dialogue with the tenants who do not yet have any form of certification in place.

➤ *Read more about sustainability certifications in Sustainability Note 9.*



Property Manager Mark Wouters outside the newly renovated Hotel Indigo and the Double-Tree by Hilton Brussels City, which was being renovated in 2021.



Green investments reduce climate footprint

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Mattias Bernunger, VP Asset Management & Development at Pandox, is responsible for the Company's green investment programme 1.0, the new investment programme 2.0 which is under development, and for BREEAM certifications at the hotels Pandox operates.

What is green investment programme 1.0?

"It is Pandox's first green investment programme; it covers 12 of the 20 hotels we operate and will continue until the end of 2023. Preparations are currently under way for a second green investment programme, 2.0, which will include a further six hotels operated by Pandox."

What is the most important aspect of the green investment programme?

"Above all it provides increased awareness of the positive effect that green investment and green actions provide for Pandox in the form of a smaller climate footprint. We are also seeing a clear financial effect through the cost savings made. Through good cooperation between hotels, consultants and key individuals at Pandox, we have sparked interest in green investment and created an efficient process."

What has been the biggest challenge during Covid-19?

"Covid-19 has restricted us on many fronts, including availability of people, opportunities to meet, travel and implementing initiatives and projects on site. The hotels have had low occupancy. We have therefore seen cost increases and longer lead times for some of the projects in the investment programme, which has delayed the end result. We're still optimistic and we are seeing a positive trend. Our investment programme will be aligned with our plans as soon as occupancy at the hotels increases again."

Has the pandemic had any positive effects?

"In hotels with very low occupancy we have been able to set a more precise base level for energy and water consumption. This allows us to set more accurate targets in relation to occupancy. Also, at the hotels where we had already rolled out the green investment programme, we have been able to close down the properties in a controlled way and in doing so, save energy, water and money."



"We have sparked interest in green investments and created an efficient process."

Mattias Bernunger
VP Asset Management & Development

What is included in investment programme 2.0?

"We have taken the best of Pandox's first green investment programme, such as energy and water reduction measures and technical installations, but also included BREEAM certification and the waste perspective."

Will the new programme live up to the ambitions of the Paris Agreement?

"We have studied the requirements in the Paris Agreement, and with good planning and targeted action, I believe that over time we'll be able to realise the intentions in the Paris Agreement in our own operations."

How is the BREEAM certification process going?

"Two hotels were certified during the year at the Very Good level. This means that five of the 12 hotels are now certified at that level. This year we submitted an additional seven hotels

for certification. We're frequently checking on the process and always making improvements. We're convinced that more of the hotels will receive certification at the Very Good level. We hope to be notified by BREEAM in spring 2022."

Is it worth the expense and time it takes to obtain BREEAM certification?

"The certification process involves a lot of administrative work, but it's also very educating and helps our hotels to develop. We also believe that it's easier for certified hotels to secure green financing and that they ultimately have more satisfied guests."

What is required to reach the Very Good level?

"It is essential for both executive management and the Board to understand the issues. We also need to have a dedicated team with the patience and skills to chase materials, prepare the required documentation and ensure that we're pursuing the right topics so that the process is relevant for us. A follow-up process also needs to be implemented."

What has BREEAM given you?

"BREEAM has given us a more organised process and a greater understanding of how we can constantly improve in areas such as the environment, energy efficiency, the physical environment at the workplace, wellbeing among employees and much more."

What do you think will be the next big sustainability topic going forward?

"Climate change and our adaptation to a warmer climate. We must reduce greenhouse gas emissions and get the high carbon dioxide concentrations in the atmosphere under control. We need to find innovative and profitable ways to store carbon dioxide, which is our biggest threat and challenge."

Focus area: Responsible and fair business

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For Pandox as a leading hotel property company it is essential to act responsibly and professionally in all business relationships. The Company is to be a long-term and reliable partner and must mitigate the risks of corruption and human rights violations that exist in the industry.

Pandox's targets and results in the responsible and fair business focus area

Targets	Who is affected	Outcome 2021	Outcome 2020	Contributes to UN SDGs
Every year ensure that 100% of the Company's employees have completed Pandox's Code of Conduct course		95%	91%	Targets 3.4, 4.4, 4.5, 5.1, 5.5, 8.5, 8.7, 8.8, 10.2 and 16.5
No form of prostitution or sexual abuse is to occur in our organisation		0 cases	1 case	Target 8.7
Zero tolerance for corruption in Pandox's own operations and in the supply chain		0 cases	2 cases	Target 16.5

Pandox (Property Management + Operator Activities + head office)



Business ethics and anti-corruption

Pandox's Anti-Corruption Policy and Code of Conduct for employees form the basis for good business ethics and compliance with laws and practices. Ongoing training is needed to ensure compliance with the Policy and Code. Pandox therefore has a target for all employees to have completed Pandox's digital training in the Code of Conduct. In 2021, 95 (91) percent of all employees had completed the training. The training is to be completed by all new recruits and every three years by all employees. In the year ahead the training will be updated and developed.

Employees within Pandox's Operator Activities segment complete business ethics and code of conduct training specific to their respective hotel brand. These are aligned with Pandox's values and work in this area.

Pandox has zero tolerance for corruption, which is clearly stated in the Company's Anti-Corruption Policy. If there is the slightest indication or suspicion of corruption, employees are to consult with their manager or manager's manager. No cases of corruption were reported in 2021.

Pandox also has a whistleblower system provided by an external party to promote an open culture where employees and external stakeholders are unafraid to report problems. No cases were reported in 2021 through this system.

[Read more in Sustainability Note 11.](#)

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Human rights

Pandox is a member of the UN Global Compact and has therefore pledged to work according to its Ten Principles regarding human rights, labour, the environment and anti-corruption.

Pandox has zero tolerance for criminality, human trafficking, prostitution or sexual exploitation. No cases of prostitution were reported during the year. In 2021 an inventory was made of the level of training in human rights, with a particular focus on human trafficking and prostitution, at the hotels in Pandox's Operator Activities segment. The majority of the hotels provide regular courses that maintain a very high standard and are usually produced by established organisations in the area. The courses provide a deeper understanding of how to discover, prevent and handle cases of prostitution and sexual exploitation. Only a few individual hotels do not have their own comprehensive training and these have been given access to the digital courses of other hotels.

In 2022 human rights due diligence will be carried out. This is a process to identify, manage and report on company risks associated with human rights – both in the supply chain and in Pandox's own operations.

Pandox has also published a Modern Slavery Act statement in which the Company strongly opposes all forms of exploitation, servitude and child labour.

Verification of the supply chain

Pandox's Code of Conduct for business partners describes the expectations that Pandox has of its suppliers regarding human rights, labour, the environment and anti-corruption. The Code of Conduct for business partners is based on the Ten Principles of the UN Global Compact and the ILO Declaration on Fundamental Principles and Rights at Work.

Verification of existing suppliers

Pandox's biggest suppliers are companies within the construction industry and property management, and those providing goods and services for hotel operations. In 2021 Pandox maintained its focus on sustainable supply chains. The Company's existing suppliers fill out a self-assessment form. During the year Pandox initiated a dialogue with suppliers whose performance was in the lowest 10 percent of respondents based on the most recent self-assessment form.

The purpose is to support them to work more professionally and in a structured way on critical sustainability topics.

All suppliers categorised as high-risk in Property Management who participated in a training workshop in 2020 went through the digital self-assessment process again. The result was that 53 percent went from being assessed as high-risk suppliers to low-risk suppliers. They achieved this by strengthening their sustainability policies and processes by, for example, producing a code of conduct or an anti-corruption policy. A follow-up process will be carried out in 2022 for the remaining suppliers.

In autumn 2021 Pandox decided to expand its auditing of existing suppliers to include the 150 largest suppliers at the corporate level as identified in the 2020 spend analysis. A total of 82 suppliers were audited in 2021. 37 of these were identified as high-risk suppliers. Pandox will take steps to follow up on these in 2022 and then allow them to repeat the assessment during the year to ensure compliance with Pandox's Code of Conduct for business partners.



Verification of new suppliers

The construction industry is the industry identified as having the highest risk for Pandox. New suppliers in Property Management that supply goods or services above a certain annual minimum limit are to be audited. The aim is to do this before a contract is signed and to conduct random follow-up audits.

With respect to food and beverage suppliers, Pandox has been able to use its position to enable all hotels in Operator Activities – regardless of brand – to use an external supplier's platform. This is a digital purchasing system and it guarantees that the suppliers have been audited and that any discounts will benefit the users. This minimises situations where bribery might occur.

ⓘ For data on anti-corruption and supplier audits, see Sustainability Notes 11 and 12.

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Focus area: Guest satisfaction and security

Satisfied guests are the result of the hotels being operated successfully. Pandox's properties must also be safe and secure – both for those working there on a daily basis and those visiting temporarily. The Covid-19 pandemic has imposed new requirements on the organisation.

Pandox's targets and results in the guest satisfaction and security focus area

Targets	Who is affected	Outcome 2021	Outcome 2020	Contributes to UN SDGs
Guest satisfaction At least 80% of guests at the hotels operated by Pandox would recommend Pandox hotels to others		82%	80%	N/A
Guest safety Guests at hotels operated by Pandox must always feel safe		1	0	Targets 3.4 and 8.8
Guest privacy and data security Zero tolerance for incidents		0	0	N/A

Operator Activities – own hotel operations Pandox (Property Management + Operator Activities + head office)



Satisfied hotel guests

Guest satisfaction is one of the most important indicators in Pandox's Operator Activities segment, as it shows how well the hotel is living up to guest expectations. Indirectly it is also a measure of the competitiveness of the product that Pandox is offering its tenants in the form of attractive hotel properties.

What primarily drives hotel guest satisfaction is personal service, individual attention, products that offer value for money, safety, consistent quality of service and product delivery, community engagement and a focus on the environment.

Conference bookers and business travellers are demanding that hotels are environmentally certified and are able to report GHG emissions per guest night. Leisure travellers have also started to require this, as more and more people become aware of the climate crisis today. According to Booking.com, 65 percent of travellers want to stay at a hotel with green certification. Both Google and Tripadvisor offer an option to search for green hotels. According to Google these searches have increased four-fold since 2020.

Pandox's target for the hotels it operates is that at least 80 percent of the hotel guests will recommend the hotel to others. Guest satisfaction was 82 (80) percent according to Pandox's annual guest survey, which was conducted by an external party in 2021. The increase can primarily be linked to the lifting of Covid-19 restrictions, which resulted in fewer limits on what hotels were able to provide, compared with the previous year.

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Hotel guest health and safety

The hotel guests expect the hotels to be safe and secure, to promote good health and to provide memorable experiences. Hotel premises must be safe and comply with building standards and other laws. Employees must also have the right skills to operate them in a safe, secure and professional manner.

Within the Property Management segment it is the tenant who is responsible for all forms of security, such as perimeter protection, for example window and door alarms, security guards and surveillance cameras. Within Operator Activities Pandox is responsible for security. Hotel safety is an area covered in Pandox's Code of Conduct for employees. In addition, all hotels in have emergency preparedness plans and safety policies in place.

Safety is also a topic covered in the Company-wide digital training. The employees also receive training in first aid, and all hotels regularly perform fire and evacuation drills.



Data security and customer privacy

Pandox works actively to prevent incidents related to data security and protection of guests' personal data from happening. The Code of Conduct for employees contains guidelines on privacy and information security. To minimise the risk of a data breach, training in data security takes place locally at each hotel as well as through the mandatory Company-wide digital training.

To protect the guests' personal data, Pandox uses technical and organisational protective measures, such as firewalls and password-protected systems. Employees must also respect the guests' privacy and ensure that their personal data is treated confidentially.

In 2021 there were 0 (0) incidents at hotels operated by Pandox.

Finding new uses for hotels

In 2020 and 2021 many hotels were used as quarantine hotels by various groups, such as the military, students and business travellers. This was very demanding in terms of food management, services and extra personnel.

Evangelos Cambouris, General Manager of Holiday Inn Brussels Airport, which launched a programme of loaning personnel among Pandox-operated hotels, talks about this:

Why was it necessary to loan personnel in the midst of the pandemic?

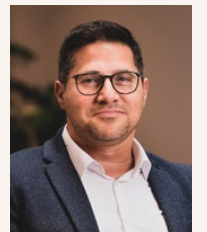
"Between November 2020 and June 2021 we functioned as a quarantine hotel, which meant that we needed to produce individually wrapped and vacuum packed meals. We produced a total of 114,000 meals, including breakfast, lunch and dinner. All of a sudden we found ourselves with a staff shortage, so we asked colleagues at Pandox's other hotels in Brussels to help us out. My theory was that it was better to utilise those from within Pandox's own operations who had no work than to recruit temporary personnel."

How did it go?

"It exceeded our expectations. We worked with Hilton Grand Place, DoubleTree Montreal, The Hotel and Hotel Indigo. It was fantastic to experience the solidarity among our hotels, regardless of brand. A total of 20 people came, to work in areas such as our kitchen and reception. We also loaned out personnel to other hotels. It was a win-win situation."

What was the reaction like among the staff and guests?

"Our colleagues were very happy to be able to work again and to have fewer unemployed days. It also gave them an opportunity to get to know each other better, share experiences and discover other Pandox hotels. It created greater loyalty. The guests in turn appreciated the service and safety that we were able to deliver."



Evangelos Cambouris,
General Manager at
Holiday Inn Brussels Airport



Running a hotel during a pandemic

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Richard Lee, General Manager at Hilton Garden Inn Heathrow Airport, ran an airport hotel during the pandemic. He witnessed a number of changes happening among us and watched as the pandemic brought many new experiences.

How did the pandemic affect the hotel and those of you working there?

“At the beginning of the crisis there were moments when it felt as if a tsunami of problems was washing over us fast and with full force. Our established ways of working and thinking were completely erased. Now, in hindsight, we can see how we were forced to be more agile and resilient, and to make faster decisions. I believe that Pandox's agile culture and flat organisation helped us to be more proactive and flexible than our competitors that have a more traditional and hierarchical structure. This enabled us to adapt, because the hotels were forced to find entirely new ways of providing services to our guests. Some of the temporary solutions we introduced were perhaps not as elegant as our normal guest experience, but in a way it took us back to the origins of the hospitality industry: we provided a safe and welcoming environment when people needed it. Because we're an airport hotel, many of the guests staying with us were stranded or trying to get home to their nearest and dearest. When I look back I feel proud of the resilience we showed and of the help we were able to provide to so many people.”

What has been the main challenge during the pandemic?

“Apart from the obvious effects on the business, our other big challenge was taking care of our employees' health and well-being. Covid-19 negatively impacted everyone's lives at work

and at home, which manifested itself in a number of complex and sometimes surprising problems that our employees were presented with. There is no handbook or guidance for managers to tell us how to act in such situations. All we could do was to make sure that we provided humane leadership, showed people that we cared and did our best to support them. Naturally, we didn't do everything right, but I believe that our team of employees could see the effort we were putting into supporting everyone. They became closer and that increased commitment and loyalty.”

What will be the biggest challenge after the pandemic?

“There was an enormous shift in the relationship between employee and employer during the pandemic – our teams expect things to be different now and want to work in new ways. It's easy to just see this as a staff shortage crisis, but I believe it goes far deeper than that. It's a challenge for us all to change the way we look at our culture and our purpose as an employer, and at our own individual ways of working. Employees want more flexibility, a better work-life balance, better terms and benefits, more training and development opportunities, and an increased sense of meaning in their work roles.”

“There was an enormous shift in the relationship between employee and employer during the pandemic”

Richard Lee, General Manager, Hilton Garden Inn, Heathrow

Why are we seeing this change?

“No doubt there are many economic and social reasons for this change, and it's impacting most industries and countries. Here in the UK it's very easy to blame Brexit for the staff shortage. While it's true that the changes in our immigration rules have limited the supply of migrant workers, there must be more to it than that because many of my colleagues in Europe are experiencing the same challenges. I believe that the pandemic gave people an opportunity to think about what's important to them and whether their work role coincides

with the lifestyle they want and their personal goals. Employees want to feel a strong connection to a clear purpose at work and to know that their work is making a positive contribution to their company, their own development and the world around them. They also expect higher compensation in the form of salary and benefits, but in return they're willing to go the extra mile at work, take on more responsibility and develop new skills. Many people in my team have found themselves a sideline – such as being a baker, DJ or social media star! It's extraordinary and inspiring to discover hidden talents within our team and to see how passionate they are about their projects.”

How can Pandox respond to this change?

“Although the short-term effect of the change has been relatively acute, I believe that the new paradigm provides an opportunity for a responsible, purpose-driven company like Pandox. Employees are no longer willing to work for low quality employers. This provides us with a new opportunity to attract, retain and develop the best talent for our teams, which in turn helps us to create a more guest-centric experience at the hotels and ensure guest loyalty. Pandox has always had a clear purpose and a culture based on fair play. That puts us in a very advantageous position as an employer after the pandemic.”



Richard Lee, General Manager at the Hilton Garden Inn at London Heathrow Airport.

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Focus area: Attractive and equal workplace

Pandox has 1,560 (1,552) employees who come from 85 (91) different countries, which reflects the diversity in the hotel industry. Pandox wants to create the right conditions for motivated and independent employees who have a clear mandate in their roles, and for equality in the workplace.

The majority of Pandox's employees work at the hotels operated by Pandox within Operator Activities. Within Property Management Pandox has a small number of employees and consultants who are responsible for various markets. Other day-to-day property management is carried out by subcontractors or Pandox's tenants.

Pandox's targets and results in the attractive and equal workplace focus area

Targets	Who is affected	Outcome 2021	Outcome 2020	Contributes to UN SDGs
At least 80% satisfied employees in annual survey		78%	81%	Targets 3.4, 4.4, 4.5, 5.1, 5.5, 8.5, 8.7, 8.8 and 10.2
Increase the percentage of women in the roles of general manager and hotel manager		39%	38%	Targets 5.1, 5.5 and 10.2
Report sickness absence with effect from 2021		7%	7%	Targets 3.4 and 8.8

Operator Activities - own hotel operations
 Pandox (Property Management + Operator Activities + head office)
 Property Management



Fewer employees during the pandemic

In 2021 Pandox furloughed 855 (1,034) employees and 70 (119) employees were laid off. The support packages varied from country to country and the most employees were furloughed in countries where the most support was provided. However, the majority of the hotels were not fully closed because they needed to be ready when restrictions were lifted. They wanted to be ahead of the game, because it takes about a month to open up a hotel.

One immediate impact of the pandemic in the hotel industry was that many furloughed employees retrained or started working in other industries, and this was also the case at Pandox's hotels. To retain and attract new employees when demand for guest nights increases again, it is important to be perceived as an attractive employer.



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Attractive employer

Pandox makes every effort to be one of the most attractive employers in the hotel property industry. In order to achieve this, Pandox offers a dynamic and also secure working environment that encourages development and does not tolerate discrimination or harassment. Employees are offered a clear mandate to succeed in their role at work. As the Company is a lean organisation, having a strong moral compass and independence is essential. The employees are also encouraged to come up with suggestions on how to improve.

No cases of harassment were reported in 2021. In addition, workplace evaluations of the physical and psychosocial work environment are carried out every three years or when significant changes are made within the organisation, in order to offer an attractive workplace.

Pandox's quarterly employee survey for hotel employees within Operator Activities showed employee satisfaction of 76 (81) percent for the fourth quarter of 2021.

The same employee survey was implemented at the head office in 2021. The result for the fourth quarter of 2021 was 80 percent. This means that average employee satisfaction overall within Pandox was 78 percent.

Employees who work directly for Pandox, such as those at the head office, in Property Management and general managers, were also asked if they would recommend Pandox as an employer. All responded that they would.

Employee turnover is another indicator of how satisfied the employees are. Employee turnover decreased to 29 (42) percent in 2021. Among Pandox's hotel employees, the turnover was 30 (43) percent and among employees at the head office including Property Management, 6 (6) percent. The higher turnover at the hotels is due to there being many hourly workers and younger people who tend to switch jobs more often.

All of Pandox's employees are able to join a trade union. Collective agreements are used in Operator Activities and collective bargaining takes place. In 2021, 69 (72) percent of the total number of employees were covered by collective agreements.



Development opportunities

Personal development is a priority for the Company. Pandox's ambition is to offer all employees training, development opportunities and career planning, as well as flexible ways to find balance in their lives.

The average number of hours of training per employee in 2021 was nine hours. There is no significant difference among men and women or between different types of positions.

In 2021 performance and career development reviews were conducted with 58 (41) percent of Pandox's employees. The increase is related to Operator Activities and to more people returning to work after the pandemic.

➤ For more information, see Sustainability Note 10.

Health and safety

All employees are to have a healthy, safe and secure work environment. Risk assessments are therefore carried out on a regular basis. Risks identified are usually associated with building sites and physical risks at hotels, such as the risk of fire and of trips, slips and falls. During the year there were 0 (0) work-related deaths and 0 (1) serious work-related injuries.

All employees within hotel operations receive annual training, information and instructions on safety. There are procedures in place to review evacuation routes and check emergency lighting and signage on an ongoing basis. While renovations are taking place, emergency exit routes must be maintained by keeping evacuation routes clear and by keeping emergency lighting in working order and fire detection systems active.

Contractors taken on for renovation, reconstruction or extension work are instructed in Pandox's health and safety routines and, in their capacity as employers, are formally responsible for investigating and taking steps if any of their employees are injured at work.

Pandox has no formal responsibility for the hotel employees of the tenants. However, Pandox does try to influence their practices, including through the Pandox Code of Conduct for business partners, which describes what the Company expects of them. Pandox's ambition is to follow up any incidents that occur at the workplace to ensure that steps are taken.

For the second year in a row Pandox is also monitoring sickness absence among its employees. The pandemic has left its mark on sickness absence, particularly among hotel employees where the degree of furloughs has impacted sickness absence. Sickness absence amounted to 7 (7) percent in 2021, which is the same level as the previous year.

Employees at Pandox's head office are offered health checks at specific intervals depending on their age.

➤ For more information, see Sustainability Note 10.

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Health and wellbeing

Pandox encourages flexibility at work and physical activity to promote wellbeing and improve performance. Pandox Movement is an initiative for the head office and the Property Management segment where employees participate together in sports and other physical activities. Employees are encouraged to challenge themselves, set ambitious goals and take part in races such as “Spring för Livet” (Run for your Life).

Hotels in the Operator Activities segment are themselves responsible for the health and wellbeing programmes offered to employees, which is usually determined by which brand the hotel operates under. Certain hotels offer employees wellness opportunities in the form of use of the hotel's gym, pool and sauna before or after their shift. Some hotels offer employees help to stop smoking as a way of promoting better health. In 2020–2021 some initiatives were paused or had to change course due to restrictions relating to Covid-19.

Around the world together

In May Pandox organised its first Company-wide sporting activity. The aim was to create joint commitment, encourage exercise and reconnect with colleagues after being furloughed or working from home for more than a year.

The goal was to walk, run or cycle around the world together. Challenges were set at both a local level and across the Company, with all of the teams able to follow each other's progress on a shared website. The activity achieved a participation rate of 80 percent, of which 65 percent succeeded in reaching their individual goals. Together the employees clocked up 89,549 kilometres – the equivalent of going around the world twice.

🔗 For more information on health and safety, see Sustainability Note 10.



The winning team in Pandox's Company-wide sports challenge was from Hotel Berlin, Berlin.

Diversity and gender equality

The hotel industry is characterised by diversity – both in terms of nationality and age groups. Pandox's employees should reflect the diversity that exists among the guests.

In 2021 a diversity and inclusion survey was carried out among the employees by an independent party. The purpose was to give Pandox a clearer picture of how the employees perceive their work situation so the Company can ensure that Pandox is an equal-opportunity and inclusive company. The results showed that the employees feel included and treat each other with respect. This applies in all markets and regardless of gender. Moreover, 83 percent feel they can express their opinions without fear of negative consequences. Despite this positive result, the Allbright anonymous survey showed that some employees have experienced discrimination based on race or gender, although no concrete cases of discrimination have been reported to Pandox.

The outcome was presented to the Board of Directors, the executive management team and all general managers to ensure that they are well aware of the challenges and opportunities that exist. The primary focus going forward will be on ensuring that the workplaces are inclusive places to be in. Inclusion is not about fitting in, but rather being able to go to work and know that you will be respected regardless of who you are. Pandox will educate hotel managers and their teams and propose concrete steps to take.

In a second stage Pandox will also improve the recruitment process to increase awareness of how bias and structures that are restrictive and exclude people can impact the recruitment results. This is particularly important for attracting and retaining the best talent and increasing the recruitment pool. This project has been postponed as the ongoing pandemic has negatively impacted the recruitment selection process.

More women in senior roles

Pandox's ambition is for both genders to be represented in the recruitment process for senior roles.

The total percentage of female general managers within Operator Activities at the end of 2021 was 21 (30) percent. The decrease is due to one hotel with a female general manager being reclassified to Property Management and thus no longer being operated by Pandox, and another hotel closing for renovation after which it will be reclassified from Property Management to Operator Activities. Finally, the female general manager at Hotel Hubert, which is Pandox's internal training ground for upcoming hotel managers, was replaced by a male general manager as part of the rotation there. This is where people can try out the role of hotel manager for six months.

The percentage of women in Pandox's executive management team increased to 40 (22) percent.

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Focus area: Inclusive local communities

Pandox wants to help create inclusive local communities. Hotels play a vital role in the community. They create jobs, a place to stay overnight and experiences, but they also make a positive contribution to community development and safe and secure areas in the vicinity of the hotel.

Pandox's targets and results in the inclusive local communities focus area

Targets	Who is affected	Outcome 2021	Outcome 2020	Contributes to UN SDGs
Community projects Every hotel and the head office will be involved in at least one project to support the local community in 2021 (Target: at least 19 projects)		10 hotels	18 hotels	Targets 4.4, 4.5, 8.6 and 10.2
All hotels are to have facade and/or entrance lighting to increase safety in the vicinity		17 hotels	14 hotels	Target 11.7

Operator Activities – own hotel operations

Pandox (Property Management + Operator Activities + head office)

For an inclusive local community

Hotels have a significant role to play in the local community by providing a place to stay for the night, experiences and meetingplaces, and as employers and purchasers of local products and services. Hotels are also a vital part of the tourism industry as they generate income for the government at the national and municipals levels and for the local community. By working closely with the local community and employing people who live in the area, hotels can also contribute in a positive way to social sustainability.

Just over half of Pandox's employees (54 percent) live within a 10 kilometre radius of the hotel where they work, and 4 percent of the employees live in socioeconomically vulnerable areas.

Pandox uses local and regional companies for technical operation, property services, laundering linens and towels etc. The Company's ambition is to use local food suppliers to the greatest extent possible.

The hotel properties also play an important role in creating safe and vibrant city centres. Safety in the vicinity of the hotels can be improved by, for example, lighting up entrances and facades. Of the 20 the hotels in Operator Activities, 17 (14) have lighting at their entrances and 17 (15) have surveillance cameras.

Community engagement

Pandox wants to be involved in and contribute to local communities in the areas where Pandox's employees have particular expertise, skills and interests. Pandox's community engagement strategy aims to ensure that all hotels in Operator Activities, as well as the head office, support at least one local project. The choice of organisation or project is determined by the employees, as real engagement comes from the grass roots.

In 2021 half of the hotels in Operator Activities were engaged in local projects. During the year some of the hotels had to pause these activities due to the pandemic. This will be reviewed in 2022. Examples of projects include providing food to homeless people and offering internships to young people with functional disabilities. See examples of the head office projects on the next page.



A selection of Pandox's joint and charity projects in 2021

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Enbacksskolan in Tensta

For four years now Pandox has been working closely with Enbacksskolan in Tensta, a school in a socioeconomically vulnerable area outside Stockholm. The purpose is to broaden the students' network of contacts in the job market and to lower entry barriers in society and thereby facilitate integration. Among the ways this is being done is through field trips and internships. Due to Covid-19 restrictions and significant uncertainty about restrictions in the future, the school cancelled its internship programme in 2021. However, Pandox was able to help Enbacksskolan with study days during the year. Representatives from Scandic Star in Sollentuna and Attendo visited the students in years 7–9 at the school during the first quarter. In the fourth quarter, students in year 8 were invited on a field trip to Scandic Star in Sollentuna, where they gained an insight into the job opportunities that exist in the hotel industry. At Scandic Star they were

also able to try out various cleaning, restaurant and care-taking duties.

Covid-19 hit many of the students at Enbacksskolan particularly hard, with more unemployed parents and more children in day care centres during the summer holidays. Pandox therefore provided support in the form of bus trips to places to swim, entry fees and lunch at Eskilstuna Zoo, guided tours in Stockholm on the amphibious Ocean Bus and entry into Sky Park in Vaxholm.

In addition, 55 students in years 8 and 9 attended a camp in the Björnö nature reserve in August where they were able to try camping. Many of the students had never been out in nature before and, according to the students, this was the highlight of their year. The experience covered many school subjects such as natural sciences and sport. The activities also allowed them to visit new places away from where they lived.

Giving People

The summer holidays in 2020 and 2021 were particularly challenging financially for many families with children if the parents had been laid off or furloughed. For two years in a row Pandox has supported the organisation Giving People, which provides families in vulnerable areas with groceries. Bags of groceries were distributed to families who could not afford to buy the essentials to get by – especially important when all meals had to be eaten at home during the pandemic. In many families the only food the children get is what is served at school.



Maskrosbarn

Pandox again supported children's rights organisation Maskrosbarn's summer campaign. The summer is especially difficult for children whose parents struggle with addiction or mental illness, or for children exposed to violence.

The purpose of the campaign was to raise funds in order to offer recreational activities that allow children to take a break from their everyday lives. Another objective was to make summer camps available to more children, allowing them to get away from a dysfunctional home life and meet others in similar situations, under guidance from trained coaches.



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1 ABOUT THE SUSTAINABILITY REPORT

Pandox's annual Sustainability Report has been prepared in accordance with the GRI Standards, Core level. At the end of 2021 the GRI Standards were updated, but this new version will be implemented in Pandox's reports in future years. The report also constitutes Pandox's statutory Sustainability Report and meets the disclosure requirements in the Swedish Annual Accounts Act regarding sustainability reporting. The Sustainability Report also constitutes Pandox's Communication on Progress Report relating to the Ten Principles of the UN Global Compact. Pandox has also been reporting according to TCFD since 2020. In this Annual Report Pandox has also started reporting according to the EU Taxonomy Regulation.

Sustainability reporting is based on the Company's material topics and summarises these in five focus areas that are included in Pandox's sustainability strategy. The sustainability strategy was produced with the help of dialogue with stakeholders and based on a materiality analysis performed in 2018 to form a complete picture of the sustainability topics that are material for the Company and its stakeholders. A new stakeholder dialogue was initiated and a new materiality analysis was implemented at the end of 2021. This will have an impact on reporting in 2022.

The Sustainability Report covers the full year 2021. The last report was published on 17 March 2020. The information in Pandox's Sustainability Report has not been externally audited.

Due to the Covid-19 pandemic a few hotels in Operator Activities have been partially closed or have reduced staffing levels from time to time. The same applies to the Company's tenants. Other than this, there have been no significant changes in Pandox's organisation or supply chain.

Changes to the property portfolio

Pandox acquired Aparthotel Adagio Edinburgh in Scotland on 21 December 2021 as an addition to the Property Management business segment. Pandox does not have access to 2021 sustainability data for the property and it is therefore not included in the sustainability data reported. The aim is to include the property's sustainability data in 2022.

On 1 October 2021 the h27 hotel in Copenhagen was reclassified from Operator Activities to Property Management when a lease was signed with hotel operator Motel One. The property's sustainability data for the period 1 January–30 September 2021 is reported in the tables for "Operator Activities and HQ" and sustainability data for the fourth quarter of 2021 is reported in the tables for "Property Management" in the Annual Report sustainability notes.

Maritim Hotel Nürnberg in central Nuremberg, Germany, was reclassified from Pandox's Property Management segment to Operator Activities on 1 September 2021. The previous lease with Maritim Hotels expired at that time and Pandox took over operation of the hotel. The hotel has been closed for renovation since it was taken over and will remain closed for much of 2022. There is no sustainability data for the property for 2021.

Report scope and boundaries

The focus of the report is the same as in previous years and covers the parts of the business over which Pandox has operational control. Pandox's business activities

are divided into two business segments: Operator Activities (20 hotel properties) and Property Management (137 hotel properties). Sustainability data in this Annual Report includes Pandox's head office, Operator Activities and Property Management. The total property area for 2021 measures 2,084,947 (2,070,126) sq m.

Pandox's 20 hotels in the Operator Activities segment and the head office provide measured environmental data, which is presented in the tables under "Operator Activities and HQ".

In the Property Management segment Pandox owns and rents out 137 hotel properties. Tenants operate the hotels, are responsible for the employees and for sourcing their own energy, water, waste management etc. As far as possible Pandox tries to collect and report tenants' environmental data for energy and water consumption, waste and greenhouse gas (GHG) emissions for the hotels within Property Management. The tenants' environmental data is presented in the tables under "Property Management". GHG emissions from the tenants' usage and operations is reported in Scope 3.

In order for Pandox to collect environmental and energy data from the tenants, these companies must first give their consent. In the Property Management segment 93 hotels provide energy data, which represents 82 percent of the 137 hotels in the segment. This includes all Scandic hotels and the majority of Nordic Choice hotels. For competition-related and/or organisational reasons, other tenants are not yet permitting this. In this report Pandox has therefore introduced standard calculations for the properties the Company owns and leases out but does not receive measured data from. The purpose is to allow year-on-year comparisons in reporting and to provide information on all properties owned by Pandox, including those not under Pandox's operational control. This provides a better basis for setting science-based targets in future years for the whole value chain.

The tenants' social and economic sustainability data is not reported in Pandox's Annual Report as this is entirely outside Pandox's operational control.

The base year for sustainability data is stated in each table.

Changes in 2021 reporting

As of the 2021 Annual Report, employee data is reported as number of employees on 31 December 2021 instead of full-time equivalents (FTE) as used in the 2020 Annual Report. The data for the comparison year 2020 has therefore also been restated as the number of employees on 31 December.

With respect to the two GRI standards GRI 308 and GRI 414, Pandox has switched from reporting GRI 308-1 to GRI 308-2 and from GRI 414-1 to GRI 414-2.

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2 MATERIALITY ANALYSIS AND STAKEHOLDER DIALOGUE

Feedback from Pandox's stakeholders on the Company's sustainability work is important in determining how the Company sets its priorities internally and which improvement measures to implement. The most important stakeholder groups are Pandox's owners, hotel guests, investors, professional and other organisations, suppliers and employees. These main stakeholders may in turn have different expectations and requirements with respect to Pandox's sustainability work. The most important stakeholder groups have been identified by determining what the stakeholders' influence on and interest in Pandox's operations are.

Materiality analysis 2018

In 2018 Pandox carried out a stakeholder dialogue and a materiality analysis to ensure that the sustainability topics in areas where the Company has the greatest impact on the external environment and that are the most important to the stakeholders are prioritised in future sustainability work. Pandox carried out interviews and online surveys in order to define and prioritise the most material sustainability topics. Through external benchmarks, status analysis and interviews with employees, Pandox identified a list of the most material sustainability topics from a value-chain perspective. These sustainability topics were prioritised based on the positive and negative impact they have on Pandox's communities from an environmental, social and economic perspective. The results were validated at a workshop attended by senior executives.

A review of the material topics, based on SASB Standards, was also carried out in 2020 to ensure that Pandox reports on the topics that financial actors consider the most important. Sustainability reporting for 2021 has been based on the above-mentioned materiality analysis.

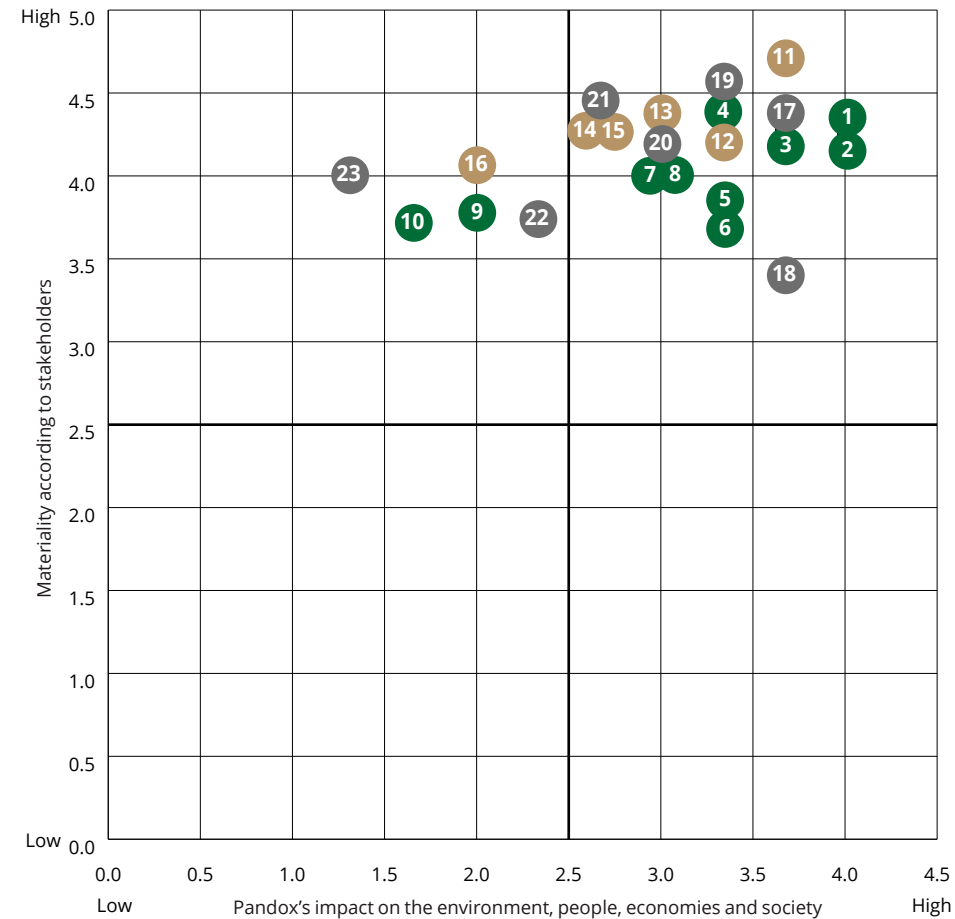
Materiality analysis 2021

In autumn 2021 a new stakeholder dialogue was carried out to determine whether there have been any changes in the stakeholders' expectations and requirements. This began with an analysis of the external environment and in-depth interviews with expert stakeholders to identify new sustainability topics that may be material for Pandox. Surveys were then carried out in which the stakeholders had the opportunity to evaluate how much emphasis Pandox should place on each sustainability topic. Pandox tested both the previous material sustainability topics and new ones, including biodiversity, climate adaptation, green transport and wellbeing, but also the issue of increased cooperation between hotel chains, property owners and suppliers.

Pandox then performed a new materiality analysis to evaluate Pandox's positive and negative impact on the surrounding communities throughout the value chain from an economic, environmental and social perspective. When the GRI Standards were updated in October 2021, the importance of companies focusing on and reporting on sustainability topics in which the company has the greatest impact on the surrounding communities was emphasised.

The results are presented in the matrix on the right. This will form the basis for Pandox's reporting in 2022 and onwards.

Materiality analysis 2021



SUSTAINABILITY TOPICS EVALUATED IN THE 2021 MATERIALITY ANALYSIS

- Environment**
 - 1 Reduced climate impact through reduced GHG emissions
 - 2 Reduced waste and increased recycling/reuse
 - 3 Increased use of sustainable materials
 - 4 Reduced energy consumption
 - 5 Environmental certification of buildings
 - 6 Environmental certification of hotel operations
 - 7 Climate adaptation of buildings¹⁾
 - 8 Reduced water consumption
 - 9 Green transport¹⁾
 - 10 Biodiversity¹⁾
- Employees and suppliers**
 - 11 Business ethics and anti-corruption
 - 12 Increased cooperation in the value chain within sustainability¹⁾
 - 13 Health and safety of employees and subcontractors
 - 14 Fair employment terms for employees
 - 15 Attractive and equal workplace
 - 16 Wellbeing, employees¹⁾
- Guests and communities**
 - 17 Satisfied guests
 - 18 Responsibility to local community
 - 19 Health and safety of guests, visitors
 - 20 Customer privacy and data protection
 - 21 Prevent trafficking and prostitution
 - 22 Purchase of locally produced, vegetarian and vegan food¹⁾
 - 23 Wellbeing, guests and visitors¹⁾

¹⁾ These sustainability topics were not included in the 2018 materiality analysis, but were identified and evaluated as new topics in the 2021 stakeholder dialogue and materiality analysis.

►► Note 2, cont.

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RESULTS OF STAKEHOLDER DIALOGUE CONDUCTED IN 2018 AND 2021

Stakeholder group	Dialogue format	Most important sustainability topics	
		2018	2021
Hotel guests	Survey	<ul style="list-style-type: none"> Fair working conditions for employees Reuse, recycle and minimise waste Reduced energy consumption and CO₂e emissions 	<ul style="list-style-type: none"> Health and safety of guests, visitors Satisfied hotel guests (quality of services) Wellbeing of guests and visitors Customer privacy and data security
Tenants	Survey/interview	<ul style="list-style-type: none"> Reduced water consumption Prevent trafficking and prostitution Fair working conditions for employees 	<ul style="list-style-type: none"> Business ethics, anti-corruption Employee health and safety Satisfied tenants and hotel guests Zero tolerance for trafficking and prostitution
The community	Survey/interview	<ul style="list-style-type: none"> Environmentally certified buildings Diversity, equal opportunities and non-discrimination Board of Directors and executive management team are committed to sustainability 	<ul style="list-style-type: none"> Reduced energy consumption Reduced climate impact / Climate adaptation Business ethics, anti-corruption / Increased cooperation Health and safety of guests, visitors
Suppliers	Survey/interview	<ul style="list-style-type: none"> Reduced energy consumption and CO₂e emissions Diversity, equal opportunities and non-discrimination Hotel safety 	<ul style="list-style-type: none"> Zero tolerance for trafficking and prostitution Business ethics, anti-corruption Health and safety of guests, visitors
Analysts	Interview	<ul style="list-style-type: none"> Training and professional development for employees Fair working conditions for employees Sustainable supply chain 	<ul style="list-style-type: none"> Business ethics, anti-corruption Zero tolerance for trafficking and prostitution Reduced energy consumption / Environmental certification of buildings Reduced climate impact
Investors	Survey/interview	<ul style="list-style-type: none"> Reduced energy consumption and CO₂e emissions Ensure customer privacy and protect customer data Transparent sustainability reporting 	
Shareholders	Survey/interview	<ul style="list-style-type: none"> Reuse, recycle and minimise waste Hotel safety Fair working conditions for employees 	
Board of Directors	Survey/interview	<ul style="list-style-type: none"> Reduced energy consumption and CO₂e emissions Diversity, equal opportunities and non-discrimination Hotel safety 	
Executive management team	Survey	<ul style="list-style-type: none"> Reduced energy consumption and CO₂e emissions Board of Directors and executive management team are committed to sustainability Hotel safety 	<ul style="list-style-type: none"> Zero tolerance for trafficking and prostitution Sustainable products and materials Attractive and fair workplace Health and safety of guests, visitors
Hotel employees	Survey	<ul style="list-style-type: none"> Reuse, recycle and minimise waste Fair employment terms for employees Training and professional development for employees 	<ul style="list-style-type: none"> Zero tolerance for trafficking and prostitution Attractive and fair workplace Customer privacy and data security Employee wellbeing
General managers	Survey	<ul style="list-style-type: none"> Training and professional development for employees Reuse, recycle and minimise waste Local community engagement 	
Employees: head office and Property Management	Survey	<ul style="list-style-type: none"> Reuse, recycle and minimise waste Hotel safety Sustainable supply chain 	<ul style="list-style-type: none"> Zero tolerance for trafficking and prostitution Attractive and fair workplace Employee health and safety Customer privacy and data security

Ongoing dialogue with stakeholders

In addition to the specific stakeholder dialogue on sustainability that took place in 2018 and 2021, Pandox has an ongoing dialogue with its stakeholders throughout the financial year.

Topics covered in dialogue with tenants are determined by the agreement and which issues are relevant to address. The revenue-based rent system requires the parties to work together in a constructive way to understand the market and achieve common goals. During the year these conversations were dominated by Covid-19.

Dialogue with employees takes the form of quarterly employee surveys. Read more on page 59.

Dialogue with shareholders and investors takes place on a quarterly basis when the interim reports are produced, through road shows, informal meetings and through surveys on what they want to see in the Annual Report. In 2021 Pandox also invited its ten largest shareholders for a dialogue on the EU Taxonomy Regulation and on what they expect of Pandox. This has impacted the internal strategy process. For more information on the Taxonomy, see page 41 and Sustainability Note 4.

Pandox arranges an annual Hotel Market Day focusing on trends and knowledge transfer. Pandox's most important stakeholders are invited to this event.

Pandox has a structure for dialogue with suppliers through its supplier audit process. This allows Pandox to support and develop cooperation and to encourage suppliers to work in a more professional and structured way on sustainability. To read more about the supplier audit process, see page 54 and Sustainability Note 12.

Dialogue with professional organisations takes place in connection with their evaluation of Pandox's sustainability work, and results from studies such as GRESB, Sustainalytics and CDP. Also on these occasions there is direct dialogue with the organisations about improvements and opportunities.

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PANDOX'S MATERIAL SUSTAINABILITY TOPICS AND HOW THEY LINK TO GRI REPORTING FOR 2021

Focus area	Pandox's material sustainability topics 2021	Reported GRI disclosures and company-specific disclosures in the 2021 Annual Report
Environment and climate	Energy consumption	GRI 302-1 Energy consumption within the organisation GRI 302-2 Energy consumption outside the organisation GRI 302-3 Energy intensity
	GHG emissions and impact on climate change	GRI 305-1 Direct (Scope 1) GHG emissions GRI 305-2 Indirect (Scope 2) GHG emissions GRI 305-3 Other indirect (Scope 3) GHG emissions GHG 305-4 GHG emission intensity
	Water consumption	GRI 303-5 Water consumption
	Waste and recycling	GRI 306-3 Waste generated
	Sustainability-certified properties and hotel operations	<i>Company-specific disclosures:</i> P-1 Percentage of sustainability-certified properties P-2 Percentage of Pandox's Operator Activities that are sustainability-certified
Responsible and fair business	Sound business ethics/Anti-corruption	GRI 205-3 Confirmed incidents of corruption and actions taken
	Sustainable supply chain	GRI 308-2 Negative environmental impact in the supply chain and actions taken GRI 414-2 Negative social impacts in the supply chain and actions taken
	Zero tolerance for trafficking and prostitution	<i>Company-specific disclosure:</i> P-5 Number of incidents of prostitution or trafficking
Guest satisfaction and security	Satisfied guests and partners	<i>Company-specific disclosure:</i> P-4 Guest satisfaction in Operator Activities
	Guest health and safety	GRI 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services
	Customer privacy and data protection	GRI 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data
Attractive and equal workplace	Attractive workplace that encourages development	GRI 401-1 New employee hires and employee turnover GRI 404-1 Average hours of training per year per employee GRI 404-3 Percentage of employees receiving regular performance and career development reviews
	Health and safety in the workplace	GRI 403-9 Work-related injuries GRI 403-10 Work-related ill health P-3 Sickness absence by segment
	Fair employment terms and equal rights	GRI 405-1 Diversity of governance bodies and employees GRI 406-1 Incidents of discrimination and corrective actions taken
Inclusive local communities	Contribution to local communities	<i>Company-specific disclosure:</i> P-6 Percentage of hotels in Operator Activities, including the head office, that have community projects

Pandox's material sustainability topics 2022 onwards ¹⁾
<p>Environment and climate</p> <ul style="list-style-type: none"> • Reduced energy consumption • Reduced climate impact (reduced GHG emissions) • Climate adaptation of buildings (NEW) • Water consumption • Reduced waste and increased recycling/reuse • Environmentally certified buildings • Environmentally certified hotel operations • Sustainable materials and products (NEW)
<p>Responsible and fair business</p> <ul style="list-style-type: none"> • Good business ethics/anti-corruption • Sustainable supply chain and cooperation in the value chain • Zero tolerance for trafficking and prostitution
<p>Guest satisfaction and security</p> <ul style="list-style-type: none"> • Satisfied guests • Health and safety of guests and visitors • Customer privacy and data protection
<p>Attractive and equal workplace</p> <ul style="list-style-type: none"> • Attractive workplace that encourages development • Occupational health and safety of employees and subcontractors • Fair employment terms and equal rights
<p>Inclusive local communities</p> <ul style="list-style-type: none"> • Responsibility to local community

¹⁾ Sustainability topics relating to locally produced, vegetarian/vegan food, green transport, biodiversity and wellbeing of employees, guests and visitors were assessed in Pandox's materiality analysis not to be material at this time. Pandox is monitoring development in these areas and may make a different assessment in future analyses.

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3 SUSTAINABILITY MANAGEMENT

Decision-making body on sustainability



The **Board of Directors** has overall responsibility for the strategic focus of sustainability and climate work. The Board of Directors also makes decisions on significant investments, such as green investment programmes and certification of properties. Feedback is provided to the Board through a six-monthly board report and an annual oral presentation by the SVP, Director of Sustainable Business.



The **CEO and the executive management team** are responsible for day-to-day operation of the Company and report to the Board of Directors. They are responsible for delivering on targets and strategies and taking decisions on general operational matters, including sustainability. They are also to ensure that systems and processes are in place to monitor and control the Company's operations and risks, including climate-related risks and opportunities. The SVP, Director of Sustainable Business is a member of the executive management team.



The **Sustainability Committee**, consisting of representatives from the executive management team and experts, addresses ongoing issues and decisions relating to sustainability work. In 2021, for example, the Committee discussed supplementary agreements with green provisions that make it possible to work in a structured way on sustainability in Property Management as well. The Sustainability Committee is also active in the green investment programmes and the BREEAM certification process for all properties in Operator Activities. The SVP, Director of Sustainable Business convenes committee meetings.



The **SVP, Director of Sustainable Business** is responsible for ensuring that sustainability is integrated into Pandex's day-to-day operations in consultation with individuals responsible for the relevant areas, who are often the heads of the business areas. The Director's participation in executive management meetings ensures that sustainability is always high up on the agenda and integrated into the Company's business.

The SVP, Director of Sustainable Business also leads the Sustainability Forum attended by experts, property development managers and administrators who run the green investment programmes and BREEAM certification of properties in Operator Activities. In 2021 there was a focus on following up on the progress of the next green investment programme's launch.

The SVP, Director of Sustainable Business reports sustainability performance to executive management on a continual basis and reports to the hotel managers in the Operator Activities segment through, among other things, the quarterly Green Update reports. Sustainability is also a permanent element of the strategic kick-off meetings held twice a year for the executive management team, board representatives, head office employees, Property Management representatives, and key decision-makers within Operator Activities.

Pandex appointed additional personnel in 2021 to manage the sustainability project and reporting process.



All **Pandex employees** are responsible for incorporating sustainability into their work in accordance with the Company's policies and strategies.

Governing documents

The Code of Conduct for employees constitutes the ethical guidelines for Pandex's operations. As part of their workplace orientation every new employee learns about the Code of Conduct in a Company-wide digital course. The Code of Conduct also prohibits the employees from taking a political stance in the Company's name. The Code is based on the Ten Principles in the UN Global Compact and the underlying conventions and declarations that cover human rights, rights at work (ILO), environmental protection and anti-corruption.

Pandex's Code of Conduct for business partners is also based on these principles and describes the expectations that Pandex has of its suppliers regarding human rights, labour rights, the environment and anti-corruption.

Pandex's Anti-Corruption Policy supplements the Code of Conduct and states that the Company has zero tolerance for all forms of corruption.

The Human Rights Policy states that the Company must respect and promote human rights throughout the organisation, including in the value chain and in the communities where Pandex operates.

Pandex's Environmental Policy establishes the values and guidelines for Pandex's environmental work. Areas covered include energy and water consumption, emissions and waste. The precautionary principle is part of the Environmental Policy and involves the Company proactively avoiding environmental risk and negative environmental impact.

Pandex's Tax Policy states that Pandex must always act in compliance with the tax rules in effect. All taxes and levies are paid according to local laws and regulations in the countries where Pandex operates. Tax management is to be ethical and commercially sound. In the event of uncertainty, the precautionary principle and transparency apply. As a good corporate citizen, Pandex regards paying tax as part of its social responsibility.

All of the above policies are signed by the Board of Directors and communicated on Pandex's website.

The Purchasing Policy and Maintenance Policy enable Pandex's properties to be operated in a uniform manner and make it possible to create proactive plans for the short and medium term for each property. In addition to facilitating budget planning, the policies are also helpful in the BREEAM certification process for the properties.

Monitoring and control

In order to perform an accurate status analysis and prioritise the right activities and investments, Pandex continued to collect sustainability data on a monthly basis in 2021 in areas such as water and energy use as well as waste. This data is validated every quarter.

At the end of the year all of the Company's hotels in Operator Activities, as well as the majority of the hotels in Property Management, were included in the system. The goal is for all hotels to report into the system.

The sustainability data collection system has enabled analysis to be performed to assess and prioritise among various environmental investments. Analysis of the data resulted, among other things, in the creation of the second green investment programme in Operator Activities. The system has also identified the need to review waste procedures on site in Pandex's own operations to gain control, set goals and reduce waste, and the need to put in place supplementary agreements containing green provisions in Property Management to meet the requirements in both the EU taxonomy and the Paris Agreement.

Towards the end of 2021 Pandex switched to a different sustainability data collection system.

To ensure compliance with the Codes, Pandex has internal control procedures, such as the "four eyes" principle which requires two signatures on contracts to minimise the risk of errors or corruption. In recruiting contexts the "grandfather" principle is applied, whereby the CEO is always involved in the recruitment of key management roles.

Whistleblower system

Pandex values an open culture and works to ensure that employees are not afraid to report irregularities and problems in the workplace so that they can be addressed. Pandex therefore has an independent, external whistleblower system available to employees and other stakeholders. Any suspected irregularities or deviations from Pandex's policies can be reported anonymously into the system. Matters reported are handled by Pandex's General Counsel in consultation with the SVP, Director of Sustainable Business.

IMPORTANT GOVERNING DOCUMENTS

Pandex has two codes of conduct, one for the employees and one for business partners, as well as the following policies: Environmental Policy, Anti-Corruption Policy, Human Rights Policy, Tax Policy, Financial Policy, Purchasing Policy, Maintenance Policy, Personal Data Policy, Information Security Policy and Insider Policy. In addition to this Pandex has produced a Modern Slavery Act statement.

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4 EU TAXONOMY REGULATION

Pandox is to report according to the EU Taxonomy Regulation, which involves showing to what extent the Company's operations are environmentally sustainable and live up to the EU's six environmental objectives. Initially only the first two environmental objectives in the taxonomy are included: climate change mitigation and climate change adaptation.

As a first step, the Company has analysed which of Pandox's economic activities are eligible by the Taxonomy Regulation and has produced guidance and instructions on how to collect data internally in accordance with the taxonomy.

Pandox's economic activities eligible by the taxonomy

- Renovation of existing buildings
- Installation, maintenance and repair of energy-efficient equipment
- Installation, maintenance and repair of charging stations for electric vehicles in buildings
- Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings
- Installation, maintenance and repair of renewable energy technologies
- Acquisition and ownership of buildings
- Engineering activities and related technical consultancy dedicated to adaptation to climate change
- Professional services related to energy performance of buildings

2021 ¹⁾	Pandox total (MSEK)	Economic activities eligible by the taxonomy (%)	Economic activities not eligible by the taxonomy (%)
Turnover	3,273	70%	30%
Capital expenditure (CapEx)	1,500	70%	30%
Operating expenses (OpEx)	413	11%	89%

¹⁾ Reporting is based on the guidelines published at the end of 2021.

Reporting for 2021

For 2021 Pandox is reporting what proportion of its operations are eligible by the Taxonomy Regulation and the proportion not eligible. This is based on eight economic activities divided into three indicators: share of turnover, capital expenditure and operating expenses. The share not eligible by the regulation are also to be reported. Pandox's whole property portfolio is included in the analysis.

Pandox's Operator Activities are not included in reported data because the Taxonomy Regulation stipulates that property management is to constitute the underlying operations in the property. Within Operator Activities, Pandox's operation of hotels constitutes the underlying operations and, accordingly, this business segment is not eligible by the Taxonomy Regulation.

Reporting for 2022

In 2022 Pandox will continue to report the share of its operations eligible by the Taxonomy Regulation, but also state the percentage aligned with it. Each economic activity therefore needs to be broken down and analysed for each property.

In order to be an environmentally sustainable activity, at this time, it needs to contribute to at least one of the EU's two climate objectives: climate change mitigation or climate change adaptation. In addition, the activity is not to significantly harm any of the other environmental objectives and is to be carried out in compliance with the minimum safeguards set out in the regulation regarding human rights. Pandox's aim is to report the share of alignment in its next Annual Report.

Turnover

In Property Management, this consists of rental income and other property income and in Operator Activities, of revenue from operating activities.

Eligible by the taxonomy (70%): Rental income within Property Management is eligible by the taxonomy.

Capital expenditure (CapEx)

Consists of investments in investment properties (Property Management) and operating properties (Operator Activities). Both segments also include investments in right-of-use assets in the form of site leaseholds, office premises, cars and other leased equipment.

Eligible by the taxonomy (70%): All reported IFRS investments (including right-of-use assets) within Property Management are eligible by the taxonomy except for investments in right-of-use assets in the form of office premises, cars and other leased equipment.

Operating expenses (OpEx)

Pandox defines IFRS OpEx as operating expenses to maintain and operate investment properties (Property Management) and operating properties (Operator Activities).

Eligible by the taxonomy (11%): Maintenance and repair costs, which essentially means investments in investment properties that cannot be capitalised.

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5 ENERGY

Pandox is reporting measured energy consumption for 113 out of the total of 157 properties for 2021. Energy consumption amounted to 410,379 MWh and the average energy intensity was 204 kWh/sq m. Energy consumption increased during the year both in Pandox's Operator Activities and among tenants in Property Management due to slightly higher occupancy. Not all of the energy measures implemented within Operator Activities have had an effect yet.

The table "Pandox's energy consumption within Operator Activities and HQ" presents data for the 20 properties Pandox operates as well as the head office. The table "Tenants' energy consumption within Property Management" on the next page shows energy consumption downstream in the value chain for tenants in the Property Management segment. Actual data from 93 of 137 properties is included. A standard calculation is made for 44 properties. Read more about Pandox's energy work on page 46.

41 (38) percent of all the energy consumed in 2021 for Pandox's entire property portfolio came from renewable energy sources such as wind power, hydropower and solar. Fuel includes gas, pellets and fuel oil. Six hotels produce their own electricity or heat, which amounted to 1,045 (308) MWh in 2021.

Description of the standard calculation method

As of this Annual Report, Pandox is making standard calculations and reporting energy consumption in properties leased to tenants in Property Management for which Pandox has no data. Read more about the reason for this in Sustainability Note 1. Standard calculations are made by taking energy intensity (kWh/sq m) for properties in Property Management that have measured data, multiplied by the total number of square metres for the properties that lack measured data. The table "Tenants' energy consumption within Property Management" presents data based on a standard calculation below the actual data for energy consumption measured.

 PANDOX'S ENERGY CONSUMPTION WITHIN OPERATOR ACTIVITIES AND HQ ¹⁾

(MWh)	Renewable energy			Non-renewable energy			Total		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
Fuel	2,612	2,020	2,359	25,469	22,810	29,296	28,081	24,830	31,655
Electricity	36,033	22,130	22,776	6,094	6,507	15,484	42,711	28,637	38,260
– of which own electricity production							584	308	
Heating	1,282	0	0	7,152	6,119	9,010	8,895	6,119	9,010
– of which own heat production							461	0	
Cooling	136	0	0	3,877	4,579	8,089	4,013	4,579	8,089
Total energy consumption	40,063	24,150	25,135	42,592	40,015	61,879	83,700	64,165	87,014
Total weather-normalised energy							81,475	62,980	87,839
Energy intensity, kWh/sq m							214	169	265

¹⁾ The data covers Pandox's own operations, i.e. 20 hotels in Operator Activities and the Pandox head office. There is no data for Maritim Hotel Nürnberg as this was reclassified from Property Management to Operator Activities in September 2021. Data for Motel One is for Jan–Sept 2021 as the hotel was reclassified to Property Management on 1 October 2021. Total energy consumption was higher in 2021 than the previous year as a result of higher occupancy at the hotels. The weather-normalised energy consumption is calculated using heating degree days (HDD). HDD is defined as the number of degrees and is calculated based on the difference between the average outdoor temperature and a base temperature; the latter is 18 degrees Celsius for all locations studied. The energy consumption is then normalised according to the average HDD over the past 10 years. Energy intensity per square metre is based on weather-normalised energy and an area of 372,955 sq m. No energy produced internally is sold.

►► Note 5, cont.

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 TENANTS' ENERGY CONSUMPTION WITHIN PROPERTY MANAGEMENT ¹⁾

(MWh)	Renewable energy ²⁾			Non-renewable energy			Total		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
Fuel	2,067	100	232	19,616	18,139	2,589	21,683	18,239	2,821
Electricity	82,566	83,847	80,758	24,491	22,205	475	107,057	106,052	81,233
Heating	5,213	0	0	93,010	94,595	79,591	98,223	94,595	79,591
Cooling	71	0	0	4,042	3,629	3,088	4,113	3,629	3,088
Energy consumption (from properties with measured data)	89,917	83,947	80,990	141,159	138,568	85,743	231,076	222,515	166,733
Weather-normalised							223,235	200,317	165,865
Energy intensity, kWh/sqm (measured data)							189	174	228
Standard calculation of energy consumption for properties with no measured data ¹⁾		-	-		-	-	97,828	-	-
Total energy consumption		-	-		-	-	328,904	-	-
Total energy intensity, kWh/sqm							194	-	-

¹⁾ This table presents energy consumption downstream in the value chain, i.e. among tenants who are responsible for operating the hotel properties owned by Pandox in the Property Management segment. 93 out of a total of 137 properties provided actual measured data for 2021, including all of the Scandic hotels. Data for Motel One is for Oct-Dec 2021 as the hotel was reclassified to Property Management on 1 October 2021. Actual measured data for 2020 included 94 hotels while data for 2019 included 62 hotels, which explains the increase from 2019 to 2020. The increase from 2020 to 2021 is attributable to increased occupation due to fewer restrictions. In order for Pandox to collect environmental and energy data from the tenants, these companies must first give their consent. Other tenants have competition-related and/or organisational considerations that result in them not yet consenting to this. For properties with no actual measured data, in 2021 Pandox started making standard calculations of energy consumption. For a description of the standard calculation method, see Sustainability Note 5 on the previous page.

²⁾ The total percentage of renewable electricity was 77 (68) percent thanks to the operators signing renewable energy agreements.

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6 GREENHOUSE GAS EMISSIONS

Pandox reports GHG emissions for 157 (114) of the total of 157 (156) properties. Of these, Pandox received measured data from 113 properties. A standard calculation has been used for the remaining 44 properties. Read more about this under the table.

Direct Scope 1 and Scope 2 emissions

Pandox's total direct GHG emissions in Scope 1 and 2 amounted to 6,112 (7,979) metric tons of CO₂e in 2021, which is a reduction of 23.4 percent. The reduction is equivalent to 5,451 return flights Stockholm–Brussels for one person in economy class according to klimatsmartsemester.se. This includes emissions from 20 (20) hotels in Pandox's Operator Activities segment and the head office.

Emission intensity based on the direct emissions amounted to 16 (21) kg CO₂e per sq m. The calculation is based on a floor space of 372,955 sq m. This does not include Maritim Hotel Nürnberg which was closed.

Pandox's combustion of fuels such as oil and gas in its own operations, fuel for the Company's cars and emissions of refrigerants give rise to Scope 1 emissions. Pandox also purchases electricity, district heating and cooling for its own operations and these give rise to Scope 2 emissions. The greenhouse gases included in the calculations are carbon dioxide, methane, nitrous oxide and ozone.

Indirect emissions in Scope 3 *Upstream in the value chain*

The most material Scope 3 emissions upstream in Pandox's value chain come from purchased goods, materials and services for operating activities, which amounted to 26,656 metric tons of CO₂e, and emissions from capital goods, which amounted to 21,020 metric tons of CO₂e.

Pandox performed lifecycle analysis in 2021 to refine its reporting of GHG emissions from the product and building stages in the construction of new hotel properties and the remodelling and renovation of existing ones. Purchases of construction materials, products and services for one large new-build project, one large remodelling project and two hotel renovations were analysed by an independent consulting firm. Emissions are reported in the capital goods category under the GHG Protocol, as properties have a long life and are reported as non-current assets in the financial statements.⁵⁾

Pandox has also performed spend analysis for supplier ledgers for goods and services purchased in 2021 and 2020 with the help of the company Normative. The following GHG Protocol Scope 3 categories were analysed

using this method: purchased goods and services, capital goods (other), upstream production of fuel and energy, and waste generated in operations. The analysis shows lifecycle emissions for each supplier.⁴⁾

In 2021 Pandox also started collecting actual measured data within the organisation on business travel to obtain more reliable data. GHG emissions from Pandox's own business travel amounted to 325 metric tons of CO₂e (2,000) in 2021. Business travel is therefore no longer considered a significant emissions category. Pandox will, however, continue to measure and monitor this item annually in order to take steps if business travel increases.

Downstream in the value chain

Emissions downstream in the value chain are emissions from tenants operating and heating hotels, which is the single largest emissions category. Emissions amounted to 36,514 metric tons of CO₂e and are reported in the GHG Protocol's downstream leased assets category. For the properties where the tenants provide measured data on actual energy consumption, energy-based emissions are reported in the table. For leased properties that cannot provide measured data, in 2021 a standard calculation was introduced to gain a more comprehensive picture of emissions. The standard calculation is based on emission intensity per square metre in the properties that have measured data, multiplied by the floor space in square metres of the properties with no measured data.

Base year and comparability

The table shows GHG emissions for the years 2019, 2020 and 2021. It is not possible to compare total emissions year-on-year as Pandox's data collection process has evolved each year to include more Scope 3 categories. The Company is also aiming to keep updating emission factors used so that emissions data will reflect the relevant energy mix each year.

2019 is used as the base year for reporting Pandox's GHG emissions in Scope 1 and 2. Emissions for the base year are presented in the table below. Collection and calculation methods for these emissions are comparable year-on-year for 2019, 2020 and 2021.

Regarding Scope 3 emissions, over the past two years we have developed our collection and calculation methods, which means that year-on-year comparisons are not possible. In future Annual Reports, Pandox will use 2021 as the base year for Scope 3 emissions. Emissions for the base year are presented in the table below.

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►► Note 6, cont.

 PANDOX'S GHG EMISSIONS ¹⁾

(metric tons CO ₂ e)	2021	2020	2019	Method 2021
Scope 1 emissions	3,511	4,276	5,761	Actual energy data ²⁾
Scope 2 emissions (market-based)	2,601	3,703	2,946	Actual energy data – market-based ²⁾
Scope 2 emissions (location-based)	9,893	7,571	9,229	Actual energy data – location-based ²⁾
Total emissions Scope 1 and 2 (market-based)	6,112	7,979	8,707	Actual energy data – market-based ²⁾
Total emissions Scope 1 and 2 (location-based)	13,404	11,847	14,990	Actual energy data – location-based ²⁾
Change, % (market-based)	-23.4%	-8.4%	-0.4%	Actual energy data – market-based ²⁾
Change, metric tons CO ₂ e (market-based)	-1,867	-728	-36	Actual energy data – location-based ²⁾
Material Scope 3 emissions ³⁾				
1. Purchased goods and services	26,656	93,000	N/A	Spend-based ⁴⁾
2. Capital goods	21,020	6,000	N/A	
– of which new construction, remodelling, renovation of properties	20,301	N/A	N/A	LCA-based standard calculation ⁵⁾
– of which other	719	N/A	N/A	Spend-based ⁴⁾
3. Upstream production of fuel and energy	3,057	1,209	1,741	Actual data + spend-based ⁴⁾
5. Waste generated in operations	563	4,000	N/A	Spend-based ⁴⁾
13. Downstream leased assets	36,514	30,586	17,666	
– of which based on measured data from tenants	25,378	30,586	17,666	Actual energy data ²⁾
– of which standard calculations for other tenants	11,136	N/A	N/A	Energy-based standard calculation ⁶⁾
Total emissions Scope 3	87,810	134,795	19,407	
Total emissions Scope 1, 2 and 3 (market-based)	93,884	142,774	28,114	
Total emissions Scope 1, 2 and 3 (location-based)	101,214	146,642	34,397	

¹⁾ Pandox's data collection methods were developed in both 2020 and 2021 to be more comprehensive. Lifecycle analysis and a new spend analysis have raised knowledge levels, which has led to new methods as well as recategorisation – mainly of Scope 3 emissions – compared with previous years. For example, Scope 3 emissions from remodelling and renovation of properties in 2020 were categorised as purchased goods, while in 2021 they were categorised as capital goods. Pandox also switched to a different reporting system for sustainability data in 2021 and the emission factors have been updated to more relevant ones. Two years of a pandemic have also resulted in greater variations in operations. For this reason it is not possible to make year-on-year emissions data comparisons.

²⁾ The Company's operations in different countries report their actual measured data in Pandox's reporting tool, which is then consolidated to the group level. The reported Scope 1 and 2 emissions are based on energy consumption reported. The tool uses emission factors taken from the following sources for GHG emissions:

Electricity: Association of Issuing Bodies, 2021 (market-based, electricity), IEA, 2021 (location-based) and Vattenfall EPA (origin-labelled electricity och Bra miljöväl).

Fuels (coal, oil, natural gas, pellets, wood chips, biogas, bio oil): Swedenergy, 2019.

Petrol: Swedish Energy Agency Fuel Act, 2019 (wheel to wheel), and the Swedish Environmental Protection Agency's emission factors and heating values, 2020 (tank to wheel). Diesel and propane: DEFRA.

District heating: DEFRA, 2020 (location-based) and Swedenergy, 2019 for Swedish district heating and data from the respective suppliers in Germany, Denmark and Canada (market-based).

Refrigerants: Swedish Environmental Protection Agency, 2019.

³⁾ Pandox reports its significant GHG emissions in Scope 3 according to the GHG Protocol. The following emission categories are not considered relevant as emissions amount to less than 500 metric tons of CO₂e per year; 4. Upstream transportation, 6. Business travel, 7. Employee commuting, 8. Upstream leased assets, 9. Downstream transportation, 10. Processing of sold products, 11. Use of sold products, 12. End-of-life treatment of sold products, 14. Franchises, 15. Investments. The category of purchased goods and services includes upstream emissions in the value chain for purchases made in operations throughout Pandox (in Operator Activities, Property Management and at the head office). The subcategory for capital goods – construction, remodelling and renovation of properties – includes Scope 3 emissions from the building stage (A1–A5).

⁴⁾ These emissions calculations are performed by an external party and based on transaction data from Pandox's purchases where each supplier is categorised based on Swedish industry sectors. An emission factor for GHG emissions per SEK spent in the sector concerned is then applied. GHG emissions in the entire value chain are included for each purchase. Exiobase3 is used as the source for emission factors.

⁵⁾ This includes GHG emissions from the product stage and building stage (A1–A5) for construction projects, large remodelling projects and hotel renovations carried out. Standard calculations have been used for the emissions, based on lifecycle analysis completed in 2021 for one construction project, one large remodelling project and two hotel renovation projects. Emissions from the product stage and building stage were calculated per square metre of floor space, which amounted to 301 kg CO₂e/sq m for the construction project, 149 kg CO₂e/sq m for the remodelling project and 48 kg CO₂e/sq m for the renovation project. These emission factors have then been multiplied by the floor space for projects completed in all of Pandox's property portfolio in 2021.

⁶⁾ These emissions originate from the use of properties owned by Pandox and leased to tenants who do not provide measured data to Pandox. Average emission intensity for the properties with measured data is multiplied by the total number of square metres of floor space in Pandox's properties with no measured data.

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7 WATER

Pandox's total water consumption for the entire property portfolio amounted to 1,460,953 cubic metres and the average water intensity was 669 m³/sq m. The reported water consumption, for which Pandox has received measured data, covers 107 (113) of the total of 157 (156) properties. Standard calculations were introduced from 2021 for the properties with no measured data.

The total water consumption increased in 2021 due to eased pandemic restrictions, which resulted in an increase in the number of hotel guests. Despite the increase in the total water consumption, Pandox was able to see that the projects to reduce water consumption under the green investment programme started to yield results as the increase was not on a par with occupancy in Operator Activities. Read more about the green investment programme on page 47.

In 2021 Pandox conducted a more in-depth analysis to determine which of the hotels operated by Pandox are located in areas experiencing extremely high levels of water stress. The analysis shows that it is mainly densely populated areas in Northwestern Europe, especially around London and Brussels, that are water-stressed, i.e. where water demand is much greater than the supply ²⁾.

🔗 Read more about Pandox's work on water consumption page 48.

PANDOX'S WATER CONSUMPTION WITHIN OPERATOR ACTIVITIES AND HQ ¹⁾

(m ₃)	2021	2020	2019
Total water consumption	233,667	227,226	446,908
– of which water consumption in water-stressed areas ²⁾	68,552	74,667	N/A
Water intensity, litres/sq m	615	611	1,438
Water intensity, litres/guest night	338	389	264

¹⁾ The water consumption data covers the Pandox head office and Pandox's 20 hotels in Operator Activities. There is no data for Maritim Hotel Nürnberg as this was reclassified from Property Management to Operator Activities in September 2021. Data for Motel One is for 1 Jan–30 Sept 2021, as the hotel was reclassified to Property Management on 1 October 2021.

²⁾ WRI's water stress indicators are expressed as percentages and are calculated by dividing the total water withdrawals by the available surface water and groundwater. The higher the figure, the greater the competition for water. The table shows water consumption for hotels in areas with extremely high water stress => 80%. Pandox has used the *World Resource Institute's Aqueduct Tool – Water Risk Atlas* as the source to determine which hotels are in water-stressed areas.

TENANTS' WATER CONSUMPTION IN PROPERTY MANAGEMENT ¹⁾

(m ₃)	2021	2020	2019
Water consumption from properties with measured data ¹⁾	814,380	803,799	983,296
Water consumption from properties subject to standard calculation ²⁾	412,906	N/A	N/A
Total water consumption	1,227,286	803,799	983,296
– of which water consumption in water-stressed areas ³⁾	17,595	11,426	N/A
Water intensity, litres/sq m	723	705	1,195
Water intensity, litres/guest night	311	246	173

¹⁾ The water consumption data is based on measured data reported by tenants covering 87 (93) of the total of 137 (136) properties in Property Management. Data for Motel One is for 1 Oct–31 Dec 2021, as the hotel was reclassified to Property Management on 1 October 2021.

²⁾ The water consumption data based on the standard calculation is for 50 of the 137 properties in Property Management. The number of square metres for these properties is multiplied by the water intensity for the properties with measured data. Standard calculations were introduced in 2021 to obtain data for the whole property portfolio.

³⁾ WRI's water stress indicators are expressed as percentages and are calculated by dividing the total water withdrawals by the available surface water and groundwater. The higher the figure, the greater the competition for water. The table shows extremely high water stress => 80 percent. Pandox has used WRI *Aqueduct 2019 – Water Risk Atlas* as the source to determine which hotels are in water-stressed areas.

8 WASTE

The volume of waste was higher in 2021 than in 2020 due to higher occupancy at the hotels as a result of eased Covid-19 restrictions. The data for waste generated in 2021 is for 19 (18) of the 20 (20) hotels in Operator Activities and for the Pandox head office. In Property Management the corresponding number was 86 of 137 hotels. 2021 is the first year this data is being reported for tenants.

In 2021 Pandox focused on improving the reliability of measured data and this will continue in the years ahead.

🔗 Read more about Pandox's work on waste page 48.

WASTE GENERATED AND WASTE DISPOSAL METHODS IN PANDOX'S OPERATOR ACTIVITIES SEGMENT AND AT HQ ¹⁾

(metric tons)	2021		2020		2019	
Disposal method ²⁾	Non-hazardous waste	Hazardous waste	Non-hazardous waste	Hazardous waste	Non-hazardous waste	Hazardous waste
Reuse	113	0	0	0	0	0
Recycling	641	0.7	540	1.4	1,699	4
Composting	18	0	31	0	44	0
Energy recovery	171	5.6	372	0	895	0
Incineration	9	0	0	0	0	1
Landfill	60	0	333	0	890	0
Other/Unknown	377	0.2	0	0	0	0
Total volume of waste	1,389	6.4	1,276	1.4	3,528	5

¹⁾ The data for waste generated in 2021 is for 19 of the 20 hotels in Operator Activities and for the Pandox head office. Novotel Den Haag World Forum cannot produce any data as it shares waste management with a convention centre. There is no data for Maritim Hotel Nürnberg as this was reclassified from Property Management to Operator Activities in September 2021. Data for Motel One is for 1 Jan–30 Sept 2021, as the hotel was reclassified to Property Management on 1 October 2021. Hazardous waste for energy recycling consists of wastewater residuals.

²⁾ Pandox does not use the methods of reuse, deep well injection or storage on site.

WASTE GENERATED AND WASTE DISPOSAL METHOD USED BY TENANTS WITHIN PROPERTY MANAGEMENT ¹⁾

(metric tons)	2021	
Disposal method ²⁾	Non-hazardous waste	Hazardous waste
Reuse	27	0
Recycling	788	8
Composting	16	0
Energy recovery	737	0
Incineration	107	0
Landfill	19	1
Other/Unknown	1,595	3
Total volume of waste	3,289	12

¹⁾ Measurement started in 2021. Data for waste generated in 2021 is for 86 of 137 hotels in Property Management. Data for Motel One is for Oct–Dec 2021 as the hotel was reclassified to Property Management on 1 October 2021.

²⁾ Pandox does not use the methods of reuse, deep well injection or storage on site.

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9 SUSTAINABILITY CERTIFICATION

The goal is for all properties in Pandox's Operator Activities to be certified to BREEAM In-Use with a rating of Very Good.

At the beginning of the year three properties were certified at the Very Good level. In 2021 an additional three hotel properties were certified at the same level. A further seven properties operated by Pandox are waiting for their certification and are expecting to be notified in spring 2022.

In 2021 Pandox decided that an additional six properties in Operator Activities will be certified no later than 2025 as part of Pandox's new green investment programme 2.0.

All hotels in Pandox's Operator Activities segment have sustainability-certified hotel operations, and in Property Management, 63 (82) percent of tenants have certified their hotel operations.

🔗 [Read more about Pandox's work on certification on page 51.](#)

 SUSTAINABILITY-CERTIFIED PROPERTIES ¹⁾

Pandox properties	Total number of BREEAM-certified properties		
	2021	2020	2019
Number of certified properties	6	3	0
Certified area, sq m	74,178	44,833	0
Percentage of certified properties in Operator Activities, % ²⁾	25%	15%	0%
Certified properties as a percentage of all properties, %	4%	2%	0%

¹⁾ Data showing the number of Pandox-owned hotel properties that are certified to BREEAM In-Use. Five of the properties are part of the green investment programme in Operator Activities and one in Property Management.

²⁾ This item shows the percentage of certified properties among the hotel properties that Pandox operates within Operator Activities.

 SUSTAINABILITY-CERTIFIED HOTEL OPERATIONS ¹⁾

Pandox properties	Total			Breakdown 2021				
	Number of certified hotels			Type of certification				
	2021	2020	2019	Nordic Swan	Green Key	ISO 14001	Green Tourism	Other
Number of certified hotels	106	129	115	47	26	16	4	30
Certified area, sq m	1,490,407	1,700,822	1,519,197	575,614	509,081	197,336	96,678	484,612
Percentage of certified hotels in Operator Activities, %	100%	100%	89%	0	70	10	10	60
Percentage of certified hotels in Property Management, %	63%	82%	69%	34	9	10	1	13
Certified hotels as a percentage of all properties, %	68%	83%	74%	30	17	10	1	19

¹⁾ A hotel may have several types of certification. The total therefore indicates the number of hotels with one or more types of certification and the floor space of these hotels. The breakdown cannot therefore be added up and compared with the total. The most common ecolabel is Nordic Swan, for which Scandic accounts for the largest share, followed by Green Key, which is the most common ecolabel in Pandox's Operator Activities segment. The number of certifications in Property Management has decreased, mainly due to the fact that, due to the Covid-19 pandemic, the Jurys Inn hotels have not been able to focus on or allocate resources to renewing their certifications. They aim to renew these after the pandemic. For an overview of the hotels' sustainability certifications, see the list of hotel properties on pages 101-105.

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10 EMPLOYEES

All employee data is reported as number of employees as of 31 December 2021. Note that the results differ from the employee data reported in Note C7, which is for the average number of employees based on hours worked.

Social sustainability data includes all employees employed by Pandox. This therefore includes employees in Operator Activities and Property Management and at the head office.

Number of employees

The majority of Pandox employees have permanent positions, but additional employees with temporary contracts are needed in particular in Pandox's own operations during the hotels' high season. Part-time work is common in the hotel industry.

In 2021, due to Covid-19, 855 (1,034) employees were furloughed and 70 (119) had to be laid off, calculated as number of employees. However, the majority of the hotels were not fully closed as they needed to be able to resume operations quickly once restrictions were lifted, as happened during the summer for example.

The main increase in employees compared with the previous year was in Europe.

[Read more about Pandox as an employer on page 58–60.](#)

 NUMBER OF EMPLOYEES BY GENDER, TYPE OF EMPLOYMENT CONTRACT AND TYPE OF EMPLOYMENT (FULL-TIME OR PART-TIME) ¹⁾

	2021			2020		
	Women	Men	Total	Women	Men	Total
Permanent employment	737	743	1,480	719	752	1,471
Temporary employment	38	42	80	47	34	81
Total	775	785	1,560	766	786	1,552
Full-time	581	674	1,255	618	709	1,327
Part-time	194	111	305	148	77	225

¹⁾ In the 2021 Annual Report Pandox has switched from reporting the number of full-time employees (FTE) to instead reporting the number of individuals (head count) as of 31 December. The comparative figures for 2020 above have therefore been restated to reflect the number of individuals. The figures reported in the 2020 Annual Report were for full-time equivalents (FTE).

 NUMBER OF EMPLOYEES BY REGION AND EMPLOYMENT CONTRACT (PERMANENT OR TEMPORARY) ¹⁾

	2021			2020		
	Permanent employment	Temporary employment	Total	Permanent employment	Temporary employment	Total
Nordics	81	6	87	84	2	86
Europe	990	74	1,064	940	79	1,019
Canada	409	0	409	447	0	447
Total	1,480	80	1,560	1,471	81	1,552

¹⁾ In the 2021 Annual Report Pandox has switched from reporting the number of full-time employees (FTE) to instead reporting the number of individuals (head count) as of 31 December. The comparative figures for 2020 above have therefore been restated to reflect the number of individuals. The figures reported in the 2020 Annual Report were for full-time equivalents (FTE).

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Diversity and gender equality

Pandox has significant diversity among its employees – particularly in its own hotel operations – in terms of ethnic affiliation, gender, religion, age etc. Half of the total number of employees in 2021 were women and half were men.

The gender balance between women and men was not as equal in senior management positions, with the majority of general managers being men. In 2021 this number was in line with previous years. The percentage of women in executive management increased from 22 percent in 2020 to 40 percent in 2021.

Pandox requires both genders to be represented in the recruitment process for senior roles throughout Pandox. This is a prioritised area for the Company.

A survey of diversity and inclusion was made in 2021 and will be followed up in 2022.

[Read more about Pandox as an employer on page 58–60.](#)

 GENDER DISTRIBUTION BY EMPLOYMENT CATEGORY ¹⁾

	2021			2020		
	Total number	Gender distribution,%		Total number	Gender distribution,%	
		Women	Men		Women	Men
Board of Directors	6	33%	67%	6	33%	67%
Executive management team	10	40%	60%	9	22%	78%
Operator Activities						
Senior management	66	39%	61%	52	38%	62%
Middle management	154	47%	53%	144	49%	51%
Hotel employees	1,290	51%	49%	1,306	50%	50%
Property Management						
Senior management	3	0%	100%	3	0%	100%
Middle management	1	0%	100%	3	0%	100%
Other administrative employees	10	20%	80%	9	22%	78%
Head office						
Middle management	4	50%	50%	4	75%	25%
Other head office employees	22	59%	41%	22	64%	36%
Total within Pandox (excl. Board)	1,560	50%	50%	1,552	49%	51%

¹⁾ In the 2021 Annual Report Pandox has switched from reporting the number of full-time employees (FTE) to instead reporting the number of individuals (head count) as of 31 December. The comparative figures for 2020 above have therefore been restated to reflect the number of individuals. The figures reported in the 2020 Annual Report were for full-time equivalents (FTE).

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 AGE DISTRIBUTION BY EMPLOYMENT CATEGORY ¹⁾

	2021				2020			
	Total number	Distribution by age group, %			Total number	Distribution by age group, %		
		<30 years	30-50 years	>50 years		<30 years	30-50 years	>50 years
Board of Directors	6	0%	50%	50%	6	0%	50%	50%
Executive management team	10	0%	20%	80%	9	0%	22%	78%
Operator Activities								
Senior management	66	6%	61%	33%	52	4%	65%	31%
Middle management	154	22%	58%	20%	144	18%	65%	17%
Hotel employees	1,290	24%	45%	31%	1,306	20%	48%	32%
Property Management								
Senior management	3	0%	100%	0%	3	0%	100%	0%
Middle management	1	0%	100%	0%	3	0%	67%	33%
Other administrative employees	10	30%	20%	50%	9	11%	22%	67%
Head office								
Middle management	4	0%	50%	50%	4	0%	75%	25%
Other head office employees	22	9%	86%	5%	22	23%	72%	5%
Total within Pandox (excl. Board)	1,560	23%	47%	30%	1,552	19%	50%	31%

¹⁾ In the 2021 Annual Report Pandox has switched from reporting the number of full-time employees (FTE) to instead reporting the number of individuals (head count) as of 31 December. The comparative figures for 2020 above have therefore been restated to reflect the number of individuals. The figures reported in the 2020 Annual Report were for full-time equivalents (FTE).

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New employee hires and employee turnover

The number of new employees and employee turnover was high in the age category < 30 in 2021. Many young people work in the hotel industry and employees in this age category are in general more mobile in the job market. This age category was also overrepresented when the hotels' staffing needs decreased during the year since the last in, first out rule applied.

The employee turnover is also explained by the fact that it is calculated based on the number of employees on 31 December 2021 and is therefore impacted by increased restrictions introduced towards the end of the year in many of the countries where Pandox operates.

🔗 [Read more about Pandox as an employer on page 58–60.](#)

 NEW EMPLOYEES AND EMPLOYEE TURNOVER BY GENDER, AGE AND REGION ¹⁾

	2021				2020			
	New employees, %		Employee turnover, %		New employees, %		Employee turnover, %	
	Number	Share, % ²⁾	Number	Share, % ³⁾	Number	Share, % ²⁾	Number	Share, % ³⁾
Key ratios for different groups:								
Women	180	23%	241	31%	37	5%	289	38%
Men	179	23%	215	27%	41	5%	361	37%
Age < 30	214	60%	203	57%	40	13%	239	79%
Age 30–50	119	16%	190	26%	30	4%	268	34%
Age > 50	26	5%	63	13%	8	2%	143	30%
Nordics	17	20%	22	25%	13	15%	26	31%
Europe	245	23%	308	29%	59	6%	526	52%
Canada	97	24%	126	31%	6	1%	98	22%
Total within Pandox	359	23%	456	29%	78	5%	650	42%

¹⁾ In the 2021 Annual Report Pandox has switched from reporting the number of full-time employees (FTE) to instead reporting the number of individuals (head count) as of 31 December. The comparative figures for 2020 above have therefore been restated to reflect the number of individuals. The figures reported in the 2020 Annual Report were for full-time equivalents (FTE).

²⁾ The percentage is the number of new employees divided by the total number of employees in the respective category. In 2021, for example, 214 individuals under the age of 30 were recruited, which represents 60 percent of the total number of employees under 30.

³⁾ The percentage for employee turnover is the number of employees who left the organisation voluntarily or were laid off, retired or died in service (including both permanent and temporary employees) divided by the total number of employees as of 31 December.

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Professional development

The number of performance and career development reviews completed in 2021 in Property Management is in line with the previous year. In Operator Activities the number increased due to more people being physically present at the hotels when restrictions were eased. The level for the head office decreased due to an increase in the number of new employees during the latter part of the year. These employees will have their first performance and career development review in 2022.

In 2021 Pandox also started to collect and report on number of training hours. The average number of training hours per employee was nine hours in 2021. Pandox's goal is to ensure that every employee is given the opportunity to develop through training.

🔗 [Read more about Pandox as an employer on page 58–60.](#)

 EMPLOYEES WHO HAD A PERFORMANCE AND CAREER DEVELOPMENT REVIEW, % ¹⁾

Employment category	2021			2020		
	Percentage			Percentage		
	Total	Women	Men	Total	Women	Men
Key ratios for different groups:						
Executive management team	89%	75%	100%	100%	100%	100%
Operator Activities						
Senior management	94%	100%	88%	97%	100%	94%
Middle management	77%	85%	71%	60%	66%	54%
Other hotel employees	52%	52%	53%	34%	37%	31%
Property Management						
Senior management	100%	–	100%	100%	–	100%
Middle management	100%	–	100%	67%	–	67%
Other administrative employees	100%	100%	100%	100%	100%	100%
Head office						
Middle management	100%	100%	100%	100%	100%	100%
Other head office employees	91%	85%	100%	100%	100%	100%
Total within Pandox	58%	58%	58%	41%	43%	38%

¹⁾ Percentage of employees who have had a performance and career development review = number of individuals in the group in question who have had a performance and career development review during the year, divided by the total number of employees in the group as of 31 December of the year in question.

 AVERAGE HOURS OF TRAINING PER EMPLOYEE ¹⁾

Employment category	2021		
	Average number of hours		
	Total	Women	Men
Key ratios for different groups:			
Executive management team	9	11	8
Operator Activities			
Senior management	20	28	15
Middle management	13	13	13
Other hotel employees	7	7	8
Property Management			
Senior management	2	0	2
Middle management	5	0	5
Other administrative employees	14	3	17
Head office			
Middle management	11	17	5
Other head office employees	6	4	9
Average number of training hours within Pandox	9	8	9

¹⁾ Pandox started collecting this data at the beginning of 2021. There is therefore no comparative data from previous years.

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Occupational health and safety

Specific management of health and safety in the workplace

A priority for Pandox is that all employees have a safe, healthy and secure work environment, as they are a vital resource for the Company. Risk assessment, training and employee surveys are therefore conducted on a regular basis.

Pandox has no Group-wide health and safety management system, or common processes for identifying and evaluating risk, or investigating incidents that occur. This is due to the fact that regulations are different in different countries. Pandox has therefore chosen to decentralise responsibility and delegate it to the respective hotel. Pandox's Code of Conduct for employees does, however, cover health and safety, and what is required of Pandox as an employer.

The majority of Pandox's employees work within Operator Activities. Each hotel is responsible for its employees' physical and mental health and safety at the workplace. They are responsible for designing processes and routines, for implementing risk assessment and risk management, and for investigating incidents and accidents.

Work-related accidents and incidents are reported annually via Pandox's system for collecting social data from Operator Activities. The cause of accidents is to be investigated and preventive measures introduced.

Health and safety procedures and processes must be in place according to the laws in individual countries, and also based on requirements from the hotel companies that Pandox has franchise or management agreements with.

The hotels have one or more workplace health and safety representatives who the employees can contact on these matters. There is also an elected employee representative and a health and safety officer to turn to if employees prefer not to talk to their line manager or the general manager. The elected employee representative pursues the matter and the employee who reported the problem can thereby remain anonymous. There is also the option of reporting an incident anonymously through the employee surveys or the whistleblower system. The health and safety officer, workplace health and safety representative and the elected employee representative have meetings on a regular basis with the health and safety team to address any problems arising, proposed actions, and the process for reporting incidents and accidents to the equivalent of the Swedish Work Environment Authority in the country concerned.

The hotels are also responsible for training to minimise risks in potentially risky tasks, such as when using kitchen equipment. The employees are trained regularly in how potentially threatening situations at the hotel are to be managed – both according to hotel-specific protocols and Pandox's Code of Conduct for employees. At the head office and at many of the hotels the employees have health insurance that includes counselling if an employee is experiencing difficulties that are affecting their personal or working life, or if they have experienced an uncomfortable or threatening situation in or in the vicinity of the workplace. Read more about Pandox's preventive measures in the area of health and safety on pages 58–60.

Contractors and subcontractors engaged by Pandox are, in their capacity as employers, formally responsible for investigating and taking action in the

event of work injuries involving their employees. Pandox does not have any formal responsibility for the health and safety of those employed by tenants and business partners either. However, Pandox does try to influence their sustainability practices through the Code of Conduct for business partners. The Code describes what we expect of them, including with respect to health and safety at the workplace. Pandox also has a duty as a building proprietor or client to determine if there is anything to be learnt from incidents or accidents that occur.

The consultants and other suppliers who work on a daily basis at our workplaces are included in the reporting of the data below.

Reporting of work-related accidents

In 2021 there were slightly more work-related accidents within Operator Activities. The injuries that occurred were isolated falling accidents and cuts. There were no deaths, accidents, injuries or incidents among the employees at the head office, in Property Management or among insourced subcontractors during the year.

The most common risks in the hotel and restaurant industry involve stress injuries due to heavy lifting, falls (due, for example, to slippery floors), loss of control over kitchen equipment, and burns and cuts. Through training and information, Pandox tries to limit the number of accidents that occur where the situations cannot be entirely avoided.

Reporting of work-related ill health

In the hotel and property industries there is a risk of work-related ill health such as burnout and mental illness, but during the pandemic no cases of work-related ill health were reported to Pandox. This is explained by a combination of fewer hours worked and the proactive steps taken by the hotels.

Sickness absence during a pandemic year

Pandox has also been collecting and analysing data on sickness absence since 2020 to assess the current situation and to determine if the Company needs to

establish common goals for this going forward. Sickness absence in both 2021 and 2020 were impacted by the Covid-19 pandemic when employees were furloughed.

🔗 Read more about Pandox's work on health and safety on pages 58–60.

	Number	
	2021	2020
WORK-RELATED ILL HEALTH ¹⁾		
Employees		
Deaths as a result of work-related ill health	0	0
Reported work-related ill health	0	0
Subcontractors		
Deaths as a result of work-related ill health	0	0
Reported work-related ill health	0	0

¹⁾ Work-related ill health is when poor health or illnesses were caused by exposure to hazards at work or a poor work environment.

	Sickness absence, %	
	2021	2020
SICKNESS ABSENCE BY SEGMENT ¹⁾		
All types of sickness, ill health or injuries		
Operator Activities	7.1%	7.0%
Property Management	0.3%	1.9%
Head office	0.2%	0.7%
Total	7.0%	7.0%

¹⁾ Sickness absence is presented as a percentage of total scheduled hours worked. 2020 is the first year for which Pandox is reporting sickness absence. The lower sickness absence in the Property Management segment and at the head office is explained by the employees having the option to work from home during the pandemic. Total sickness absence is based on all employees in the Group.

WORK-RELATED INJURIES ¹⁾
Employees

	2021		2020	
	Number	Rate of deaths/accidents	Number	Rate of deaths/accidents
Fatalities resulting from work-related injuries	0	0.00	0	0.00
Serious work-related injuries (excl. fatalities)	0	0.00	1	0.18
Reported work-related injuries	13	2.05	12	2.19

Subcontractors

Fatalities resulting from work-related injuries	0	0.00	0	0.00
Serious work-related injuries (excl. fatalities)	0	0.00	0	0.00
Reported work-related injuries	2	4.13	0	0.00

¹⁾ A work-related injury is an injury that occurs due to or during work tasks. A serious injury is defined as one that the employee has not fully recovered from within six months. The rate of accidents and fatalities is defined as the number of work-related accidents or fatalities respectively divided by the total number of hours worked, multiplied by 200,000 hours worked. The number of hours worked by Pandox's own employees amounted to 1,270,306 in 2021 and 1,095,650 in 2020 for the head office, Property Management and Operator Activities.

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11 ANTI-CORRUPTION

Pandox has zero tolerance for corruption, which is clearly stated in the Company's Anti-Corruption Policy. In 2021 there were 0 (2) cases of corruption.

🔗 Read more in the chapter "Responsible and fair business" on pages 53–54.

NUMBER OF CASES OF CORRUPTION

	2021	2020	2019
Total number of cases of corruption	0	2	0
– of which cases where an employee was dismissed due to corruption	0	1	0
– of which cases where contracts with business partners were terminated or not extended due to corruption	0	1	0
– of which the number of legal cases regarding corruption filed against the Company or our employees	0	0	0

12 SUPPLIERS

Pandox implemented a digital audit system for suppliers in 2020, in which selected suppliers carry out a self-assessment.

In 2021, 82 existing suppliers were evaluated based on environmental and social criteria as well as governance. The suppliers that participated were identified as high-risk suppliers in Property Management, with a focus on suppliers in the construction industry, and suppliers to hotels within Pandox Operator Activities that are operated under independent brands or franchise agreements.

The results of the 2021 self-assessment showed that there was a need for several of the suppliers to design and establish formal processes in important areas such as human rights, rights at work and business ethics. None of the suppliers was identified as having a significantly high environmental risk, as no significant real or potentially negative environmental impact was identified as part of the audit. On the other hand, some risks relating to social and/or governance aspects were identified among 45 percent of the suppliers who were audited.

During the year Pandox invited 55 suppliers of the 79 audited in 2020 to participate in a training workshop to help them get started and/or to improve their existing sustainability-related policies and procedures. Pandox has also initiated a one-on-one dialogue with the suppliers who performed among the lowest 10 percent of the respondents in the self-assessment audit.

In 2021 Pandox also started to produce requirements and processes to be able to audit new and recurring suppliers in Property Management before contracts are signed. Due to the pandemic, these processes have not yet been implemented by the Company.

🔗 Read more about Pandox's work on certification on page 54.

AUDIT OF EXISTING SUPPLIERS BASED ON ENVIRONMENTAL AND SOCIAL CRITERIA

	2021	2020
Number of suppliers audited	82	2
Number of suppliers identified as having a significant negative impact ¹⁾	37	44
Suppliers with a negative impact where improvements have been agreed upon, % ²⁾	0%	70%
Suppliers with a negative impact where the contract has been terminated as a result of the audit, % ²⁾	0%	4%

¹⁾ Number of suppliers refers to those who are considered to have or be at risk of having a negative impact based on identified risks relating to social and/or governance aspects. No suppliers are considered to have or be at risk of having a material negative impact.

²⁾ Due mainly to a lack of documentation on formal processes within business ethics and rights at work, or due to suppliers who have chosen not to respond to the survey. Supplier audits for 2021 were carried out late in the year and as a result, it was not possible to reach agreements with suppliers before the end of the year.

13 GUESTS

During the year there was one incident within the organisation of a guest's health being negatively affected. The incident reported in 2021 involved a child being injured on a hotel bed. The case was investigated by insurance companies. There were data breaches, such as stolen customer data, or incidents that violated customer privacy.

🔗 Read more about Pandox's work on guest satisfaction and security on pages 55–56.

THE IMPACT OF PRODUCTS AND SERVICES ON PANDOX'S HOTEL GUESTS' HEALTH AND SAFETY

	2021	2020	2019
Total number of incidents where the guests' or visitors' health or safety were negatively affected on a visit to a Pandox hotel	1	0	0
– of which the number of incidents of non-compliance with laws	0	0	0
– of which the number of incidents of non-compliance with voluntary standards	1	0	0
– of which the number of incidents of non-compliance with laws that resulted in fines or other penalties	0	0	0
– of which the number of incidents of non-compliance with laws that resulted in a warning	0	0	0

DATA SECURITY AND CUSTOMER PRIVACY

	2021	2020	2019
Total number of data security breaches, such as stolen customer data	0	0	1
Total number of complaints received regarding violation of customer privacy	0	0	0
– percentage of total complaints received from external parties	0	0	0
– percentage of total complaints received from authorities	0	0	0

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GRI Standard	Disclosure	Page	Principles of the UN Global Compact
GRI 102: GENERAL DISCLOSURES, 2016			
ORGANISATIONAL PROFILE			
	102-1 Name of the organisation	117	
	102-2 Activities, brands, products and services	3-4, 13, 16-17	
	102-3 Location of headquarters	117	
	102-4 Location of operations	4	
	102-5 Ownership and legal form	117	
	102-6 Markets served	4, 13, 16-17	
	102-7 Scale of the organisation	4, 7, 58, 126	
	102-8 Information on employees and other workers	75	1, 3
	102-9 Supply chain	38, 54	
	102-10 Significant changes to the organisation and its supply chain	63	
	102-11 Precautionary Principle or approach	67	7
	102-12 External initiatives	39-40	1, 2, 3, 4, 5, 6, 7, 8, 9, 10
	102-13 Membership of associations	40	
STRATEGY			
	102-14 Statement from senior decision-maker	10-12, 180	
ETHICS AND INTEGRITY			
	102-16 Values, principles, standards, and norms of behaviour	12, 67, 184	10
GOVERNANCE			
	102-18 Governance Structure	181-185	
STAKEHOLDER ENGAGEMENT			
	102-40 List of stakeholder groups	64	
	102-41 Collective bargaining agreements	59	3
	102-42 Identifying and selecting stakeholders	64	
	102-43 Approach to stakeholder engagement	41, 64-65	
	102-44 Key topics and concerns raised	64-65	
REPORTING METHODOLOGY			
	102-45 Entities included in the consolidated financial statements	165	
	102-46 Defining report content and topic boundaries	38, 63-66	
	102-47 List of material topics	66	
	102-48 Restatements of information	63	
	102-49 Changes in reporting	63-66	
	102-50 Reporting period	63	
	102-51 Date of most recent report	63	
	102-52 Reporting cycle	63	
	102-53 Contact point for questions regarding the report	63	
	102-54 Claims of reporting in accordance with the GRI Standards	63	
	102-55 GRI content index	82-84	
	102-56 External assurance	63	

► GRI index, cont.

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SPECIFIC DISCLOSURES – GRI 200: ECONOMIC PERFORMANCE			
GRI 205: Anti-corruption, 2016			10
GRI 103: Governance	103-1/2/3 Sustainability management	38–41, 53–54, 63–67	
	205-3 Confirmed incidents of corruption and actions taken	53, 81	
SPECIFIC DISCLOSURES – GRI 300: ENVIRONMENTAL			
GRI 302: Energy, 2016			7, 8, 9
GRI 103: Governance	103-1/2/3 Sustainability management	38–42, 46–52, 63–67	
	302-1 Energy consumption within the organisation	69	
	302-2 Energy consumption outside of the organisation	70	
	302-3 Energy intensity	69–70	
GRI 303: Water, 2018 ¹⁾			7, 8, 9
GRI 103: Governance	103-1/2/3 Sustainability management	38–42, 47–48, 63–67	
	303-5 Water consumption	47–48, 73	
GRI 305: Emissions, 2016			7, 8, 9
GRI 103: Governance	103-1/2/3 Sustainability management	38–41, 42–45, 47–52, 63–67	
	305-1 Direct (Scope 1) GHG emissions	43, 71–72	
	305-2 Indirect (Scope 2) GHG emissions	43, 47, 71–72	
	305-3 Other indirect (Scope 3) GHG emissions	43, 71–72	
	305-4 GHG emission intensity	71–72	
GRI 306: Waste, 2020 ²⁾			7, 8, 9
GRI 103: Governance	103-1/2/3 Sustainability management	38–42, 48–49, 63–67, 73	
	306:3 Waste generated	73	
GRI 308: Supplier environmental Assessment, 2016			8
GRI 103: Governance	103-1/2/3 Sustainability management	38–42, 53–54, 63–67, 81	
	308-2 Negative environmental impacts in the supply chain and actions taken	54, 81	
Company-specific disclosure: Sustainability certifications			7, 8, 9
GRI 103: Governance	103-1/2/3 Sustainability management	38–41, 51–52, 63–67, 74	
	P-1 Sustainability-certified properties	74	
	P-2 Percentage of Pandox's Operator Activities that are sustainability-certified	74	

Deviation from GRI Standards:

¹⁾ GRI 303 Water and effluents: Pandox has started reporting according to the 2018 standard, but no data is available on topic-specific governance in GRI 303-1 and 303-2. Once the pandemic has ended, Pandox will look at the possibility of collecting this data. Read more in Sustainability Note 7.

²⁾ GRI 306 Waste: Pandox has started reporting according to the 2020 standard, but no data is available on topic-specific governance in GRI 306-1 and 306-2. Once the pandemic has ended, Pandox will look at the possibility of collecting this data. Read more in Sustainability Note 8.

►► GRI index, cont.

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GRI Standard	Disclosure	Page	Principles of the UN Global Compact
SPECIFIC DISCLOSURES – GRI 400: SOCIAL			
GRI 401: Employment, 2016			4, 5, 6
GRI 103: Governance	103-1/2/3 Sustainability management	38-41, 58-60, 63-67, 75-80	
	401-1 New employee hires and employee turnover	78	
GRI 403: Occupational health and safety, 2018			2, 3
GRI 103: Governance	103-1/2/3 Sustainability management	38-41, 58-60, 63-67, 80	
Topic-specific management:	403-1 Occupational health and safety management system	80	
	403-2 Hazard identification, risk assessment, and incident investigation	80	
	403-3 Occupational health services	59, 80	
	403-4 Worker participation, consultation, and communication on occupational health and safety	59, 80	
	403-5 Worker training on occupational health and safety	59, 80	
	403-6 Promotion of worker health	59, 80	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	59, 80	
Result disclosures:	403-9 Work-related injuries	80	
	403-10 Work-related ill health	59, 80	
Company-specific disclosure:	P-3 Sickness absence by segment	59-60, 80	
GRI 404: Training and Education, 2016			6
GRI 103: Governance	103-1/2/3 Sustainability management	38-41, 58-60, 63-67, 79	
	404-1 Average hours of training per year per employee	59, 79	
	404-3 Percentage of employees receiving regular performance and career development reviews	59, 79	
GRI 405: Diversity and equal opportunity, 2016			1, 2, 6
GRI 103: Governance	103-1/2/3 Sustainability management	38-41, 58-60, 63-67, 76	
	405-1 Diversity of governance bodies and employees	60, 76-77	
GRI 406: Non-discrimination, 2016			1, 2, 6
GRI 103: Governance	103-1/2/3 Sustainability management	38-41, 58-60, 63-67, 75-77	
	406-1 Incidents of discrimination and corrective actions taken	60	
GRI 414: Supplier Social Assessment, 2016			1, 2, 5, 6, 10
GRI 103: Governance	103-1/2/3 Sustainability management	38-41, 53-54, 63-67, 81	
	414-2 Negative social impacts in the supply chain and actions taken	54, 81	
GRI 416: Customer Health and Safety, 2016			
GRI 103: Governance	103-1/2/3 Sustainability management	38-41, 55-56, 63-67, 81	
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	81	
GRI 418: Customer Privacy, 2016			
GRI 103: Governance	103-1/2/3 Sustainability management	38-41, 55-56, 63-67, 81	
	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	81	
Company-specific disclosure: Guest satisfaction			
GRI 103: Governance	103-1/2/3 Sustainability management	38-41, 55-56, 63-67	
	P-4 Guest satisfaction in Operator Activities	55	
Company-specific disclosure: Prostitution and trafficking			1, 2, 4
GRI 103: Governance	103-1/2/3 Sustainability management	38-41, 53-54, 63-67	
	P-5 Number of incidents of prostitution or trafficking	54	
Company-specific disclosure: Inclusive local communities			
GRI 103: Governance	103-1/2/3 Sustainability management	38-41, 61-62, 63-67	
	P-6 Percentage of hotels in Operator Activities, including the head office, that have community projects	61-62	

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TCFD Index

Pandox is reporting according to TCFD (Taskforce on Climate-Related Financial Disclosures) for the second year and this process will be developed in the years ahead. The purpose of this index is to make it easier for the reader to find the information included in TCFD reporting.

In 2021 Pandox started analysing climate change scenarios.

[Read more on pages 43-45.](#)

GOVERNANCE	STRATEGY	RISK MANAGEMENT	METRICS AND TARGETS
Recommended disclosures	Recommended disclosures	Recommended disclosures	Recommended disclosures
A. Describe the board's oversight of climate-related risks and opportunities. See page 67	A. Describe the climate-related risks and opportunities the organisation has identified. See pages 43-45	A. Describe the organisation's processes for identifying and assessing climate-related risks. See pages 42-45, 108-114	A. Disclose the metrics used by the organisation to assess climate-related risks and opportunities. See pages 43-45, 50
B. Describe management's role in assessing and managing climate-related risks and opportunities. See page 67	B. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning. See pages 43-45	B. Describe the organisation's processes for managing climate-related risks. See pages 42-52, 108-114	B. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks. See pages 43, 71-72
	C. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios. See pages 43-45	C. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management. See pages 108-114	C. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets. See pages 42-43, 46-52, 68-74

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BREEAM

Building Research Establishment Environmental Assessment Method (BREEAM) is the most widely used environmental certification system for buildings in Europe. The system evaluates and grades the total environmental impact of buildings.

UN Sustainable Development Goals

Part of Agenda 2030; consists of 17 Sustainable Development Goals (SDGs) adopted by the UN General Assembly. The purpose is to end extreme poverty, reduce inequality and injustice in the world, promote peace and justice and solve the climate crisis by 2030.

GRI Standards

The world's most widespread standards for reporting sustainability information. The standards are issued by the Global Reporting Initiative (GRI) and consist of principles and disclosures that organisations are to measure and report to monitor their sustainability work.

ILO

The International Labour Organization is a UN agency that brings together governments, employers and workers of 187 member states to set labour standards, develop policies and devise programmes promoting decent work for all women and men.

International Bill of Human Rights

The International Bill of Human Rights consists of the Universal Declaration of Human Rights, the International Covenant on Economic, Social and Cultural Rights, and the International Covenant on Civil and Political Rights.

Accident rate

A comparative indicator for the ratio between the number of accidents and the number of hours worked at the company, multiplied by 200,000 working hours. It is used to make comparisons between different companies. Fatality rates and the rate of serious accidents are also reported.

TCFD

TCFD stands for Taskforce on Climate-Related Financial Disclosures and is a framework to identify a company's climate-related risks and opportunities.

UK Modern Slavery Act

A UK law designed to combat all forms of human trafficking, forced or slave labour in an entity's own operations or in its supply chain. All operating entities or subsidiaries in the UK are subject to the law.

UN Global Compact

The UN Global Compact was created in 1999 at the World Economic Forum in Davos. The purpose was to create international principles around human rights, labour, environment and anti-corruption to be enacted by businesses. The principles are based on the UN Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the Rio Declaration and UN Convention against Corruption.

Materiality analysis

Analysis to establish areas that are important for an organisation to prioritise in its sustainability work. The analysis is based on stakeholder dialogue combined with an analysis of the Company's economic, environmental and social impact on the surrounding communities.

Independent limited assurance report on the statutory sustainability report

To the general meeting of shareholders of Pandox AB (publ), corporate registration number 556030-7885

Assignment and division of responsibility

The Board of Directors is responsible for the 2021 Sustainability Report on pages 36–86 and for ensuring that the report is prepared in accordance with the Annual Accounts Act.

Orientation and scope of the review

Our review was conducted in accordance with FAR's recommendation RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the sustainability report has a different focus and is substantially smaller in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that our examination provides a reasonable basis for our opinion below.

Conclusion

A sustainability report has been prepared.

Stockholm, 7 March 2022

PricewaterhouseCoopers AB

Patrik Adolfson
Authorised Public Accountant
Auditor-in-charge

Linda Andersson
Authorised Public Accountant

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Hotelism by Pandox

4

Properties

Pandox's property portfolio consists of 157 hotels with around 35,500 hotel rooms in 15 countries and 90 destinations. The hotels are operated under various types of agreements and are marketed under well-known hotel brands. Over the years Pandox has also created a number of independent brands.



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Belgium



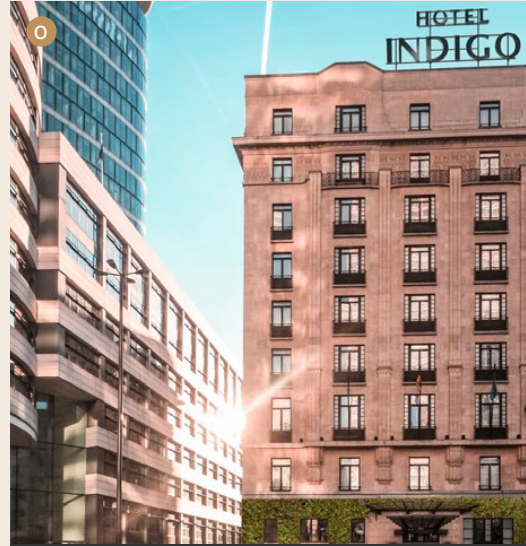
Demand

- International
- Regional
- Domestic

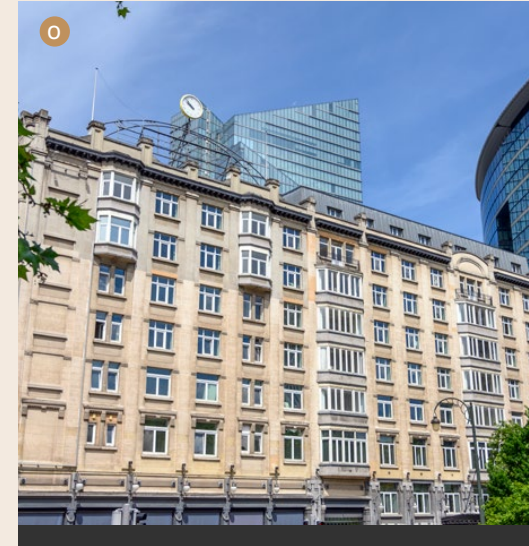
Share of Pandox

- 6% 9 hotels
- 7% 2,474 rooms
- 7% of market value

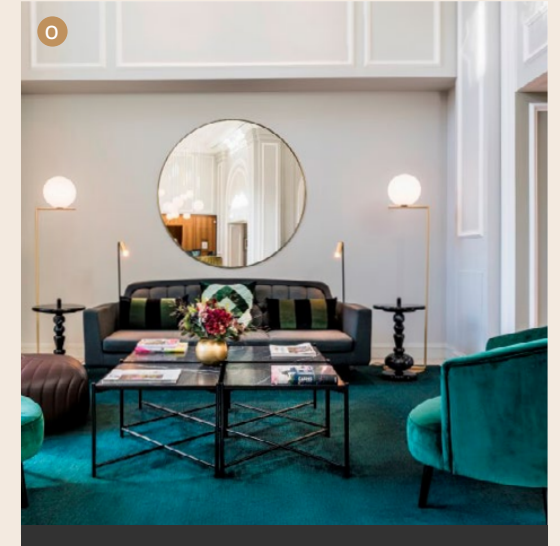
- P Property Management
- O Operator Activities



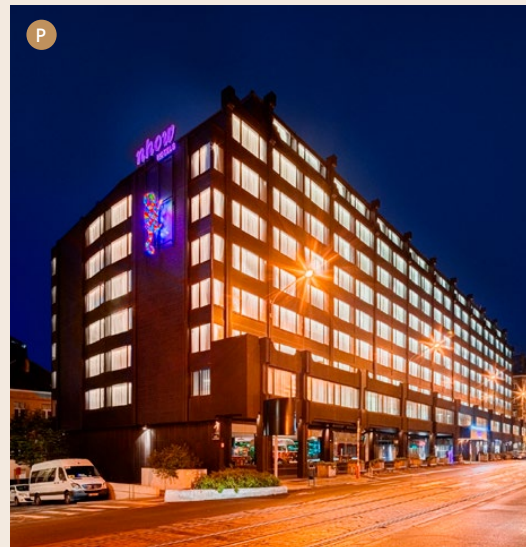
Hotel Indigo Brussels City
284 rooms Green Key SafeGuard BREEAM



DoubleTree by Hilton Brussels City
354 rooms Green Key SafeGuard



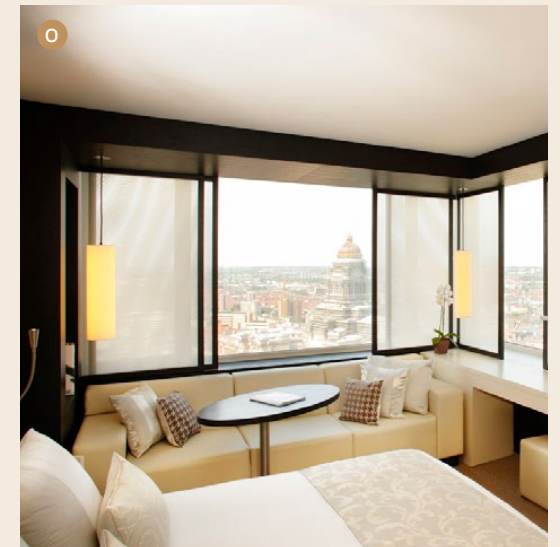
Hilton Grand Place Brussels
224 rooms Green Key IHG Green Engage ISO 50001



nhow Brussels Bloom
305 rooms Green Key



Crowne Plaza Antwerp
262 rooms IHG Green Engage SafeGuard



The Hotel, Brussels
421 rooms Green Key SafeGuard

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Denmark



Demand

- International
- Regional
- Domestic

Share of Pandox

- 5% 8 hotels
- 5% 1,845 rooms
- 6% of market value

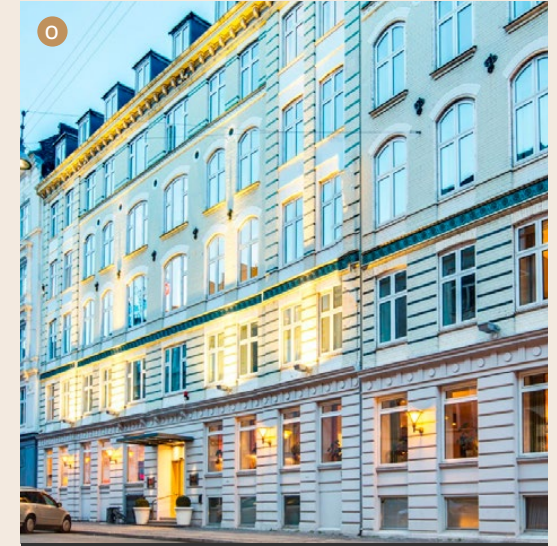
- P Property Management
- O Operator Activities



Urban House Copenhagen by MEININGER
228 rooms



Scandic Hvidovre
207 rooms Nordic Swan



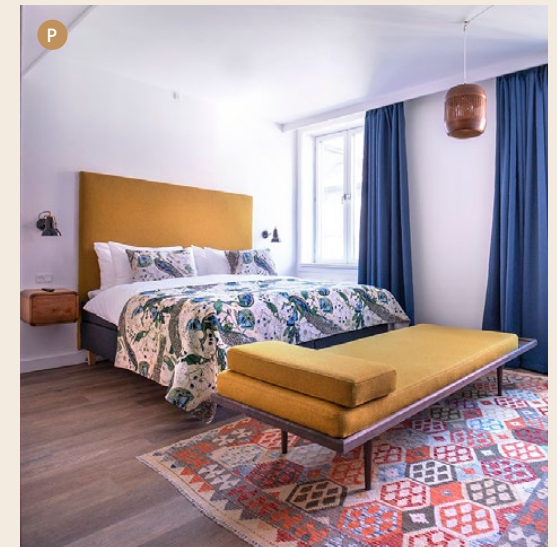
Hotel Mayfair
203 rooms Green Key



Scandic Copenhagen
486 rooms Nordic Swan



Scandic Glostrup
120 rooms Nordic Swan

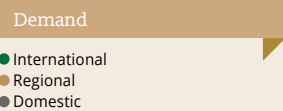
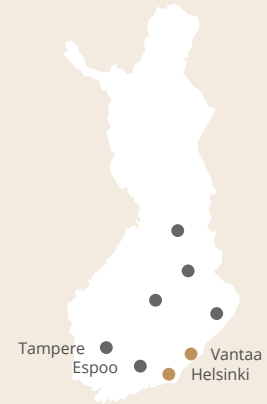


Motel One Copenhagen
200 rooms ISO 14001, ISO 50001 Green Key

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Finland



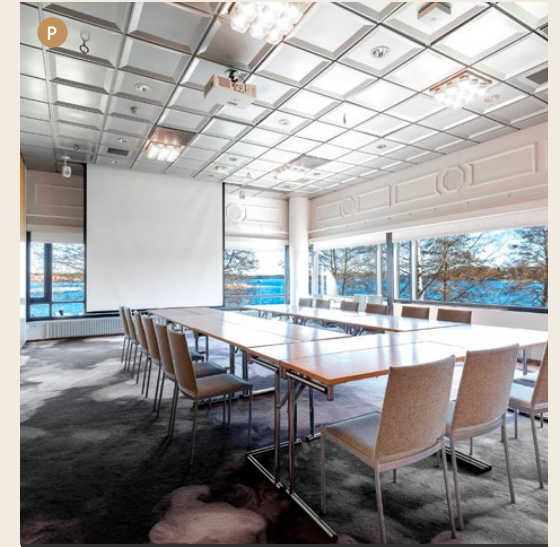
P Property Management
O Operator Activities



Scandic Park Helsinki
 523 rooms
 Nordic Swan



Scandic Tampere City
 263 rooms
 Nordic Swan



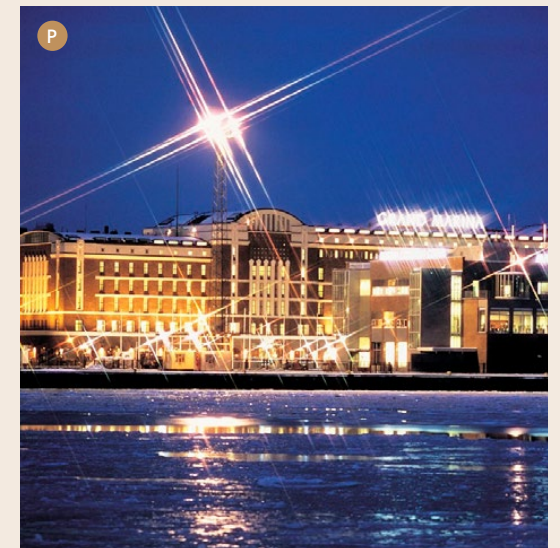
Scandic Kuopio
 137 rooms
 Nordic Swan



Pilot Airport Hotel
 109 rooms



Hilton Helsinki Strand
 190 rooms
 Nordic Swan



Scandic Grand Marina
 470 rooms
 Nordic Swan

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Canada



InterContinental Montreal
357 rooms

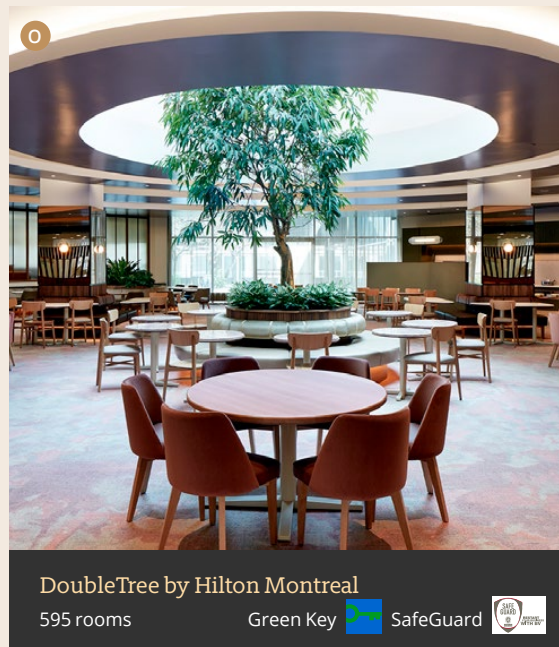


Demand

- International
- Regional
- Domestic

Share of Pandox

1% 2 hotels
3% 952 rooms
2% of market value

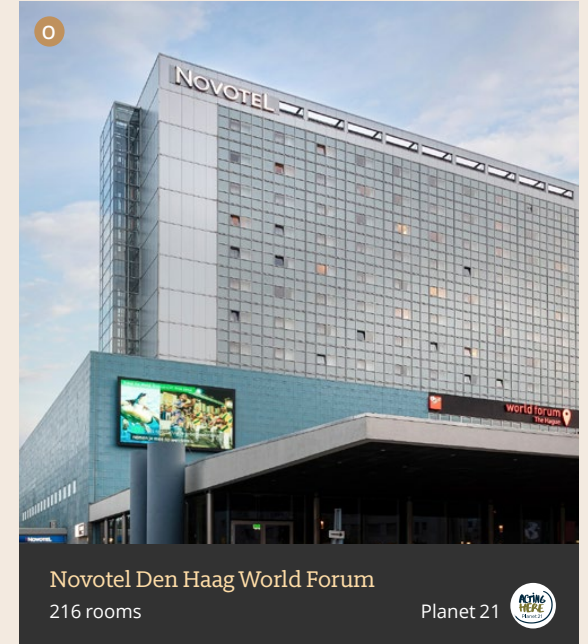


DoubleTree by Hilton Montreal
595 rooms



- P** Property Management
- O** Operator Activities

Netherlands



Novotel Den Haag World Forum
216 rooms

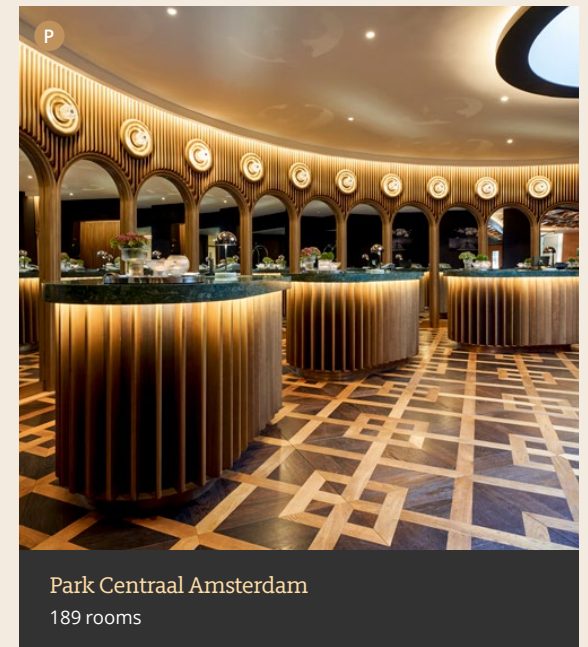


Demand

- International
- Regional
- Domestic

Share of Pandox

1% 2 hotels
1% 405 rooms
2% of market value

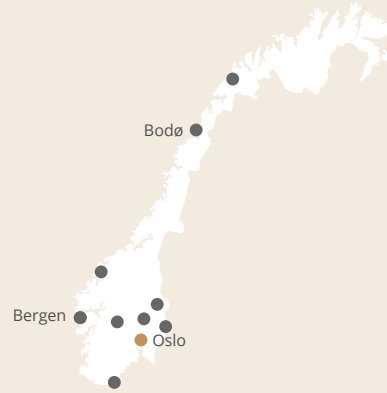


Park Centraal Amsterdam
189 rooms

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Norway



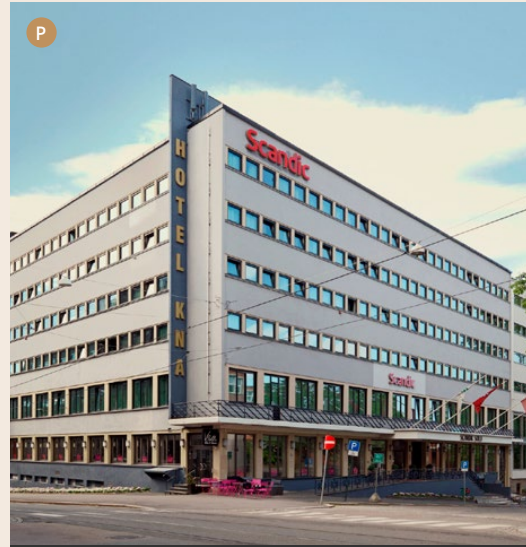
Demand

- International
- Regional
- Domestic

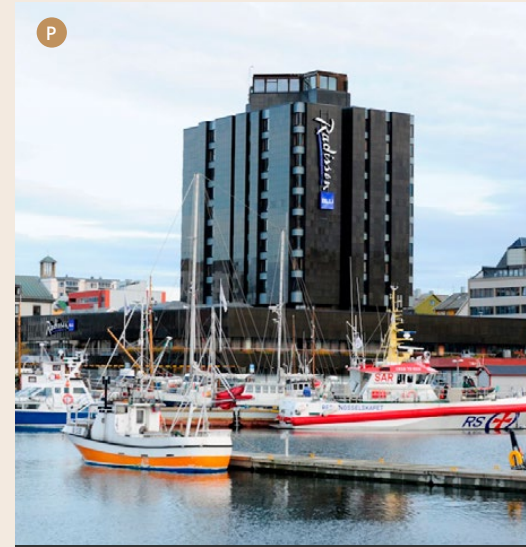
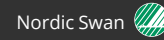
Share of Pandox

- 9% 14 hotels
- 7% 2,573 rooms
- 5% of market value

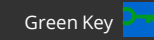
- P Property Management
- O Operator Activities



Scandic Solli
226 rooms



Radisson Blu Hotel, Bodø
191 rooms

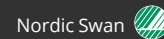


Clarion Collection Bastion
99 rooms

ISO 14001

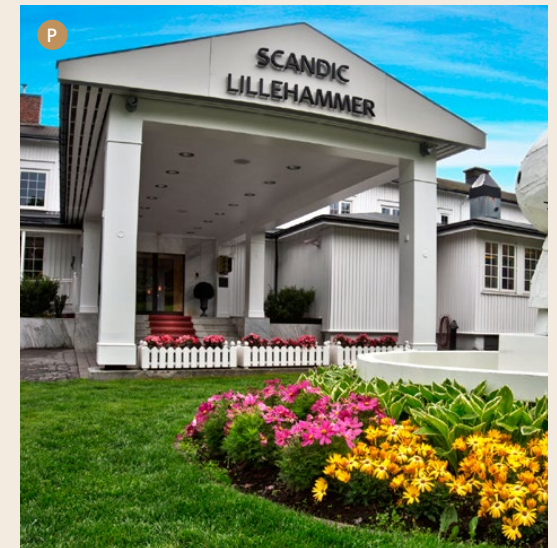


Scandic Sørlandet
210 rooms



Comfort Hotel Bergen
159 rooms

ISO 14001



Scandic Lillehammer
303 rooms

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Sweden



Demand

- International
- Regional
- Domestic

Share of Pandox

27% 42 hotels
 25% 8,953 rooms
 24% of market value

- P Property Management
- O Operator Activities

P

Scandic Grand Örebro
224 rooms

Nordic Swan

P

Elite Stora Hotellet Jönköping
167 rooms

Green Key

P

Hilton Stockholm Slussen
289 rooms

Green Key

P

Vildmarkshotellet Kolmården
213 rooms

Nordic Swan

P

Scandic Kramer
113 rooms

Nordic Swan

P

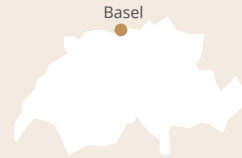
Radisson Blu Arlandia
342 rooms

Green Key

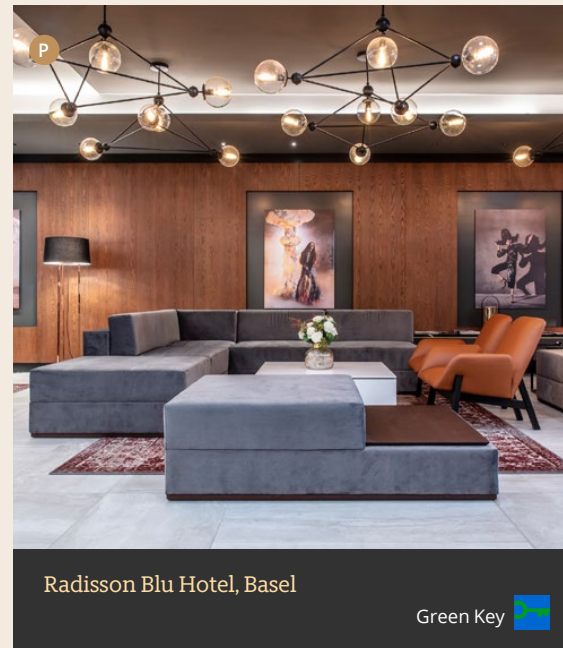
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Switzerland

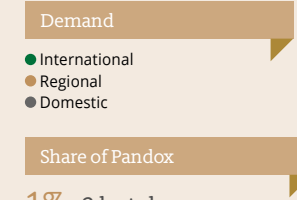


1% 1 hotel
 1% 206 rooms
 1% of market value

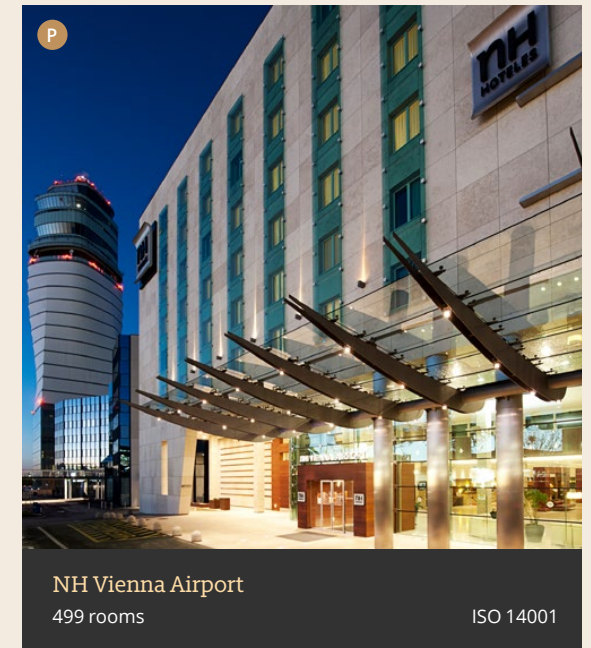
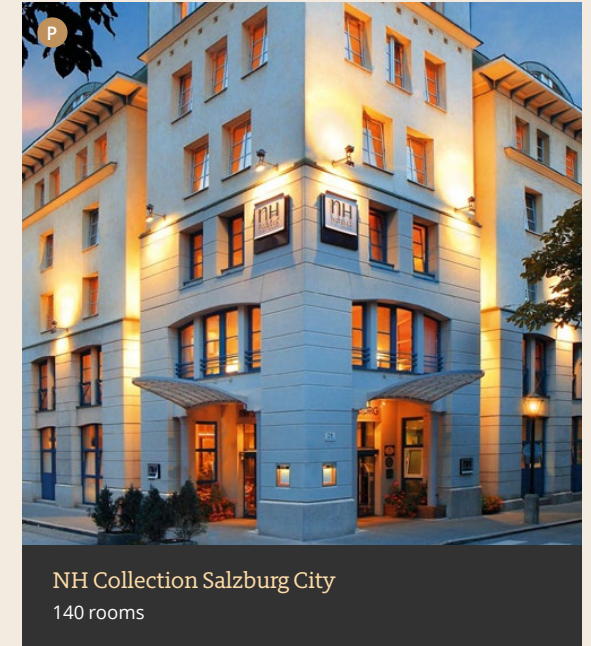


P Property Management
O Operator Activities

Austria



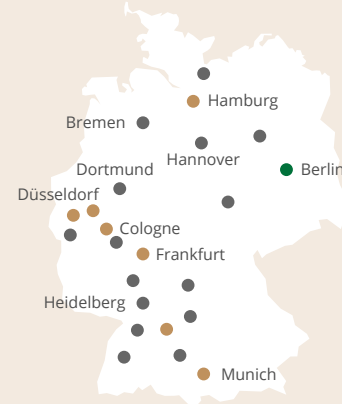
1% 2 hotels
 2% 639 rooms
 2% of market value



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Germany

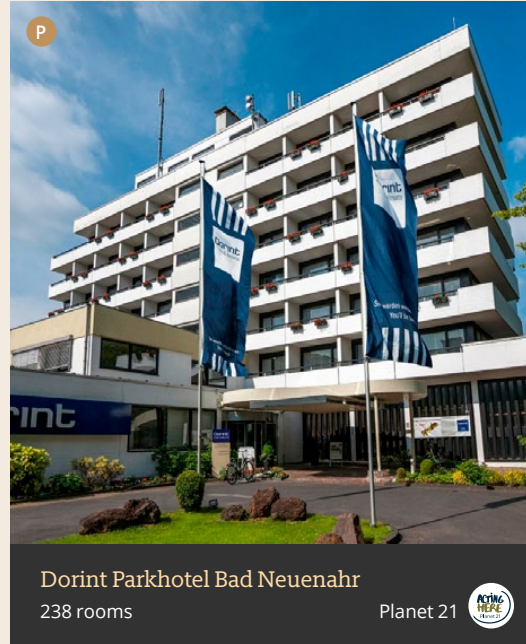


Demand

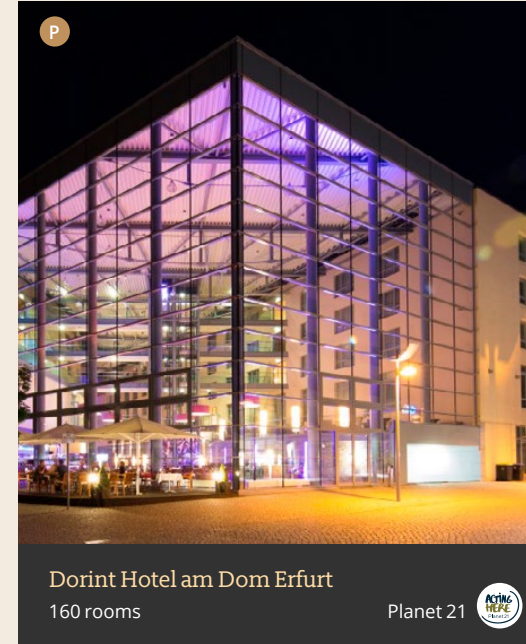
- International
- Regional
- Domestic

Share of Pandox

24% 38 hotels
 24% 8,366 rooms
 25% of market value



Dorint Parkhotel Bad Neuenahr
 238 rooms Planet 21



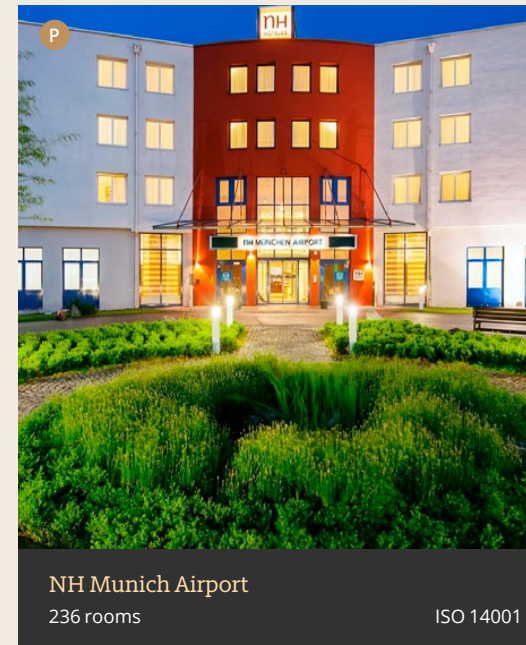
Dorint Hotel am Dom Erfurt
 160 rooms Planet 21



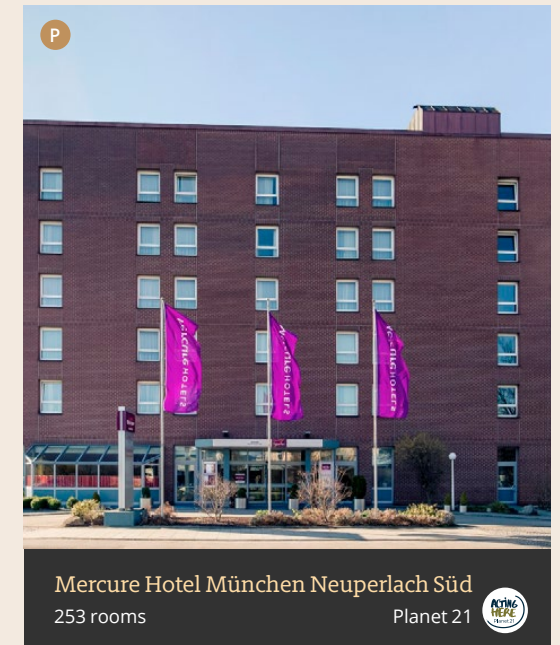
Leonardo Royal Köln am Stadtwald
 150 rooms



Holiday Inn Lübeck
 159 rooms IHG Green Engage



NH Munich Airport
 236 rooms ISO 14001



Mercure Hotel München Neuperlach Süd
 253 rooms Planet 21

- P** Property Management
- O** Operator Activities

►► Germany, cont.

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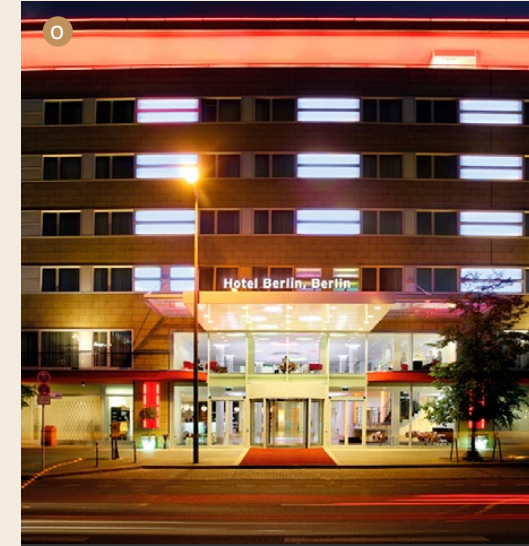
Hotel property list

Financial

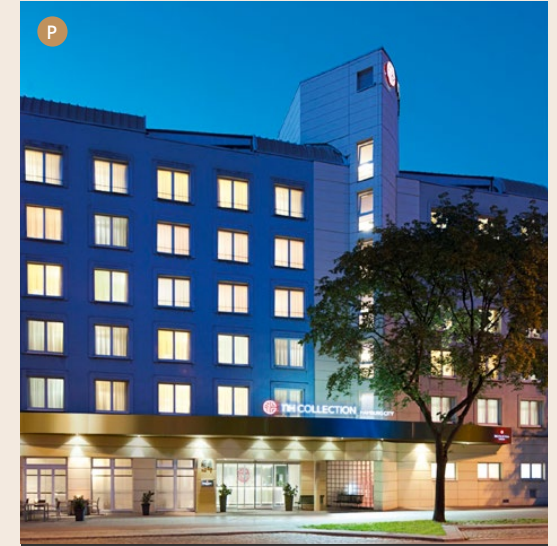
Governance



Leonardo Royal Hotel Frankfurt
449 rooms



Hotel Berlin, Berlin
701 rooms Green Key SafeGuard ISO 14001



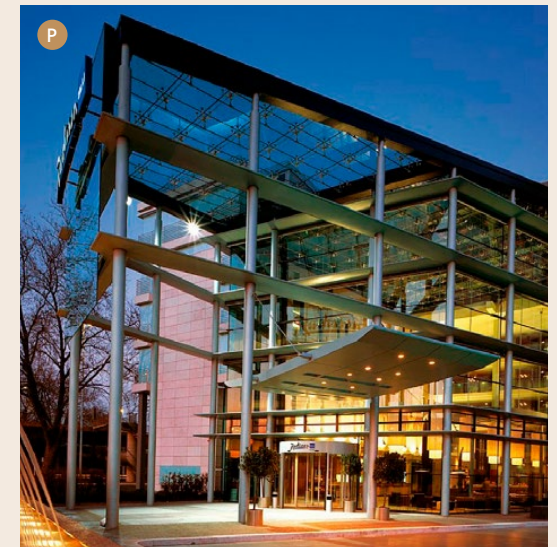
NH Collection Hamburg City
129 rooms



Leonardo Hotel Hannover Airport
214 rooms



Radisson Blu Hotel, Bremen
235 rooms Green Key SafeGuard BREEM



Radisson Blu Hotel, Cologne
393 rooms Green Key

P Property Management
O Operator Activities

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United Kingdom



Demand

- International
- Regional
- Domestic

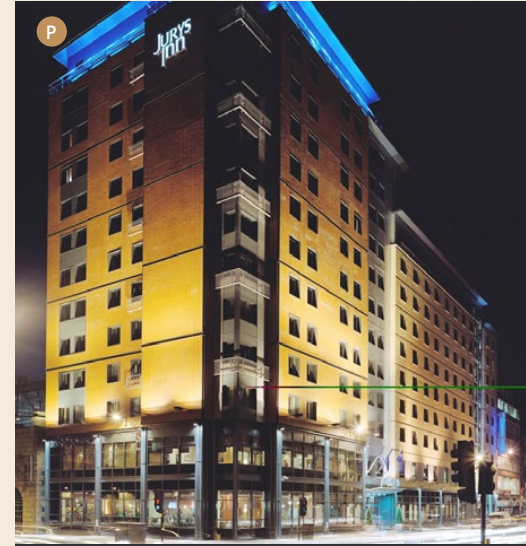
Share of Pandox

13% 22 hotels
 15% 5,432 rooms
 17% of market value

- P Property Management
- O Operator Activities



The Midland Hotel, Manchester
 312 rooms
 Green Tourism Gold



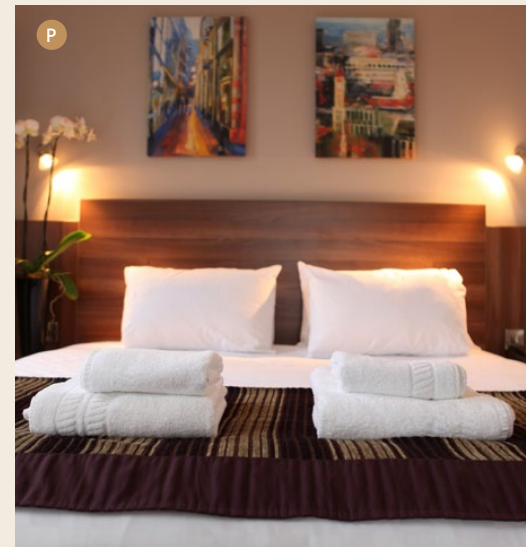
Jurys Inn Glasgow
 321 rooms



Hilton Garden Inn London Heathrow Airport
 364 rooms
 BREEM



Jurys Inn Sheffield
 259 rooms



Jurys Inn Birmingham
 445 rooms



Aparthotel Adagio Edinburgh Royal Mile
 146 rooms

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Ireland

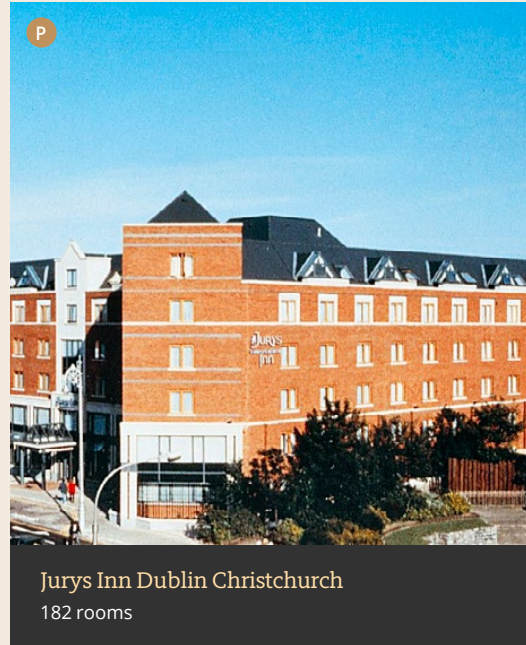


Demand

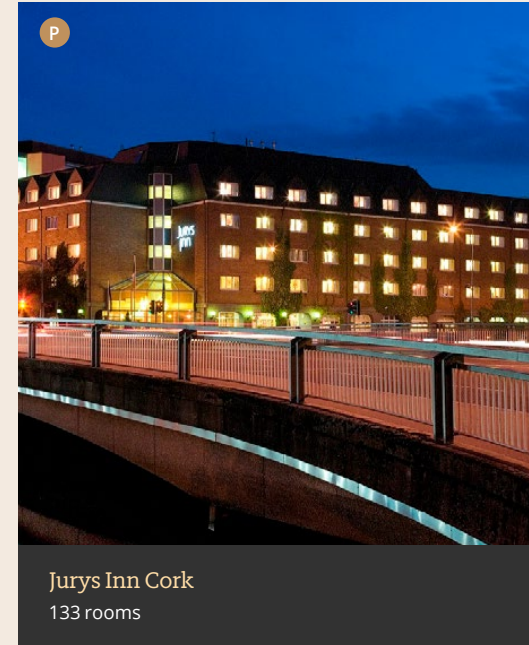
- International
- Regional
- Domestic

Share of Pandox

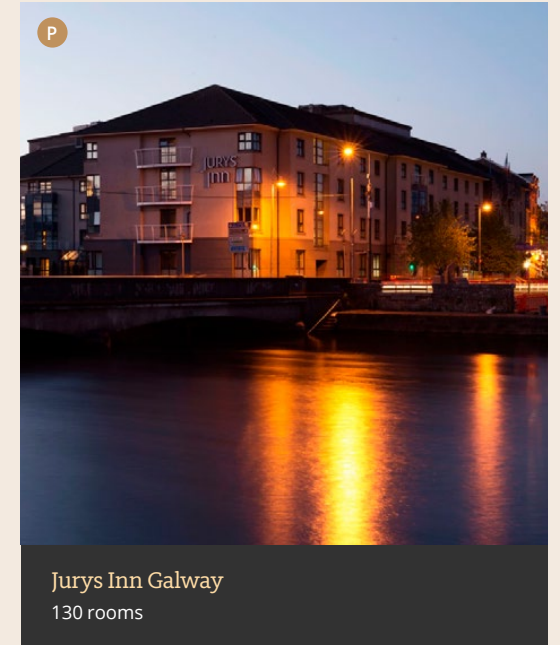
- 2% 3 hotels
- 1% 445 rooms
- 2% of market value



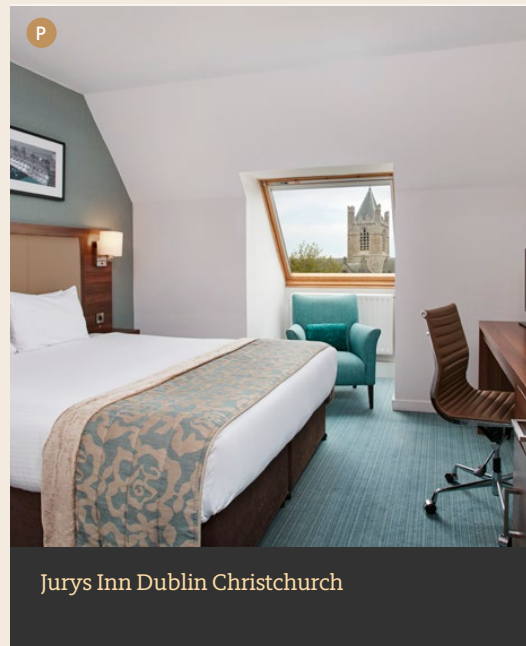
Jurys Inn Dublin Christchurch
182 rooms



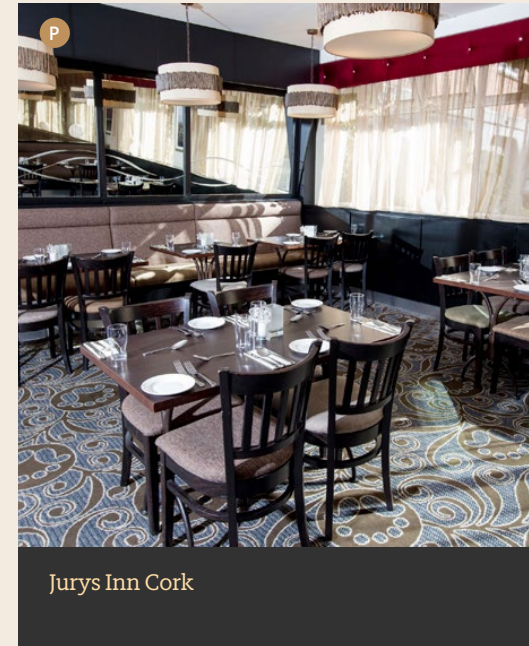
Jurys Inn Cork
133 rooms



Jurys Inn Galway
130 rooms



Jurys Inn Dublin Christchurch



Jurys Inn Cork

- P Property Management
- O Operator Activities

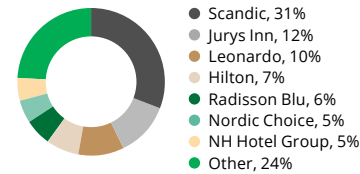
Property portfolio

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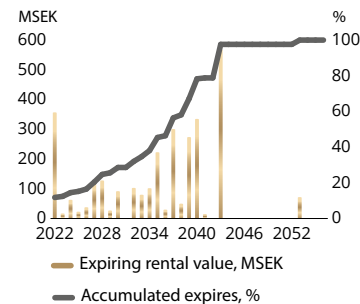
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At year-end 2021, Pandox's property portfolio consisted of 157 (156) hotel properties with 35,372 (35,060) hotel rooms in 15 (15) countries. The Nordic region made up around 41 (41) percent of the market value of the property portfolio. A total of 137 of the hotel properties are leased to third parties, which means that around 83 percent of the market value of the property portfolio is covered by long-term external leases. The remaining 20 hotel properties are owned and operated by Pandox. Pandox's tenant base consists of reputable hotel operators with strong hotel brands in their respective markets.

Rooms by operator/brand, 31 December 2021



Lease maturity profile, 31 December 2021



PORTFOLIO OVERVIEW BY SEGMENT AND COUNTRY, 31 DECEMBER 2021

Property Management	Number		Market value (MSEK)		
	Hotels	Rooms	Per country	% of total	Per room
Sweden (SE)	42	8,953	14,796	24	1.7
Germany (GE)	32	6,560	11,353	18	1.7
United Kingdom (UK)	20	4,821	9,976	16	2.1
Finland (FI)	13	2,922	3,954	6	1.4
Norway (NO)	14	2,573	3,309	5	1.3
Denmark (DK)	7	1,642	3,153	5	1.9
Austria (AT)	2	639	1,461	2	2.3
Belgium (BE)	2	519	912	1	1.8
Ireland (IE)	3	445	1,379	2	3.1
Switzerland (CH)	1	206	775	1	3.8
Netherlands (NL)	1	189	1,146	2	6.1
Total Property Management	137	29,469	52,215	83	1.8
Operator Activities					
Belgium (BE)	7	1,955	3,587	6	1.8
Germany (GE)	6	1,806	3,981	6	2.2
Canada (CA)	2	952	1,262	2	1.3
United Kingdom (UK)	2	611	815	1	1.3
Netherlands (NL)	1	216	362	1	1.7
Denmark (DK)	1	203	350	1	1.7
Finland (FI)	1	160	24	0	0.2
Total Operator Activities	20	5,903	10,380	17	1.8
Total	157	35,372	62,596	100	1.8

PORTFOLIO OVERVIEW BY BRAND, 31 DECEMBER 2021

Brand	Number			Countries
	Hotels	Rooms	% of total	
Scandic	50	11,024	31	SE, NO, FI, DK
Jurys Inn	20	4,410	12	UK, IE
Leonardo	18	3,547	10	GE
Hilton	8	2,652	7	SE, FI, UK, BE, CA
Radisson Blu	8	2,033	6	CH, GE, UK, NO, SE
Nordic Choice Hotels	11	1,887	5	SE, NO
NH	7	1,681	5	AT, BE, GE
Dorint	5	1,085	3	GE
Mercure	4	760	2	GE
Elite Hotels	2	492	1	SE
Holiday Inn	2	469	1	BE, GE
Novotel	2	421	1	GE, NL
InterContinental	1	357	1	CA
Indigo	1	284	1	BE
Crowne Plaza	1	262	1	BE
Pullman	1	252	1	GE
Meininger	1	228	1	DK
Motel One	1	200	1	DK
Adagio	1	146	0	GB
Best Western	1	103	0	SE
Independent brands	12	3,079	9	SE, FI, BE, GE, NL, UK
Total	157	35,372	100	15¹⁾

¹⁾ Includes the submarkets England, Scotland, Wales and Northern Ireland.

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Change in property value

At year-end 2021 Pandox's property portfolio had a total market value of MSEK 62,596 (59,542), of which MSEK 52,215 (50,181) was for investment properties and MSEK 10,380 (9,361) for operating properties. In August Maritim Hotel Nürnberg was reclassified to Operator Activities. On 1 October Motel One Copenhagen (previously h27) was reclassified to Property Management. The market value of operating properties is reported for information purposes only and is included in EPRA NRV. Operating properties are recognised at cost less depreciation and any impairment.

At the end of the period the carrying amount of operating properties was MSEK 8,015 (7,363).

At year-end 2021 the average valuation yield amounted to 5.44 (5.44) percent for investment properties and 6.38 (6.37) percent for operating properties.

[📖](#) Read more about Pandox's valuation of hotel properties on pages 143–146 and page 148.

RECOVERY IN THE TRANSACTION MARKET IN 2021

The volume of the global hotel transaction market increased by around 131 percent in 2021, despite uncertainty and several new virus variants during the year.

Trends in the hotel market in 2022:

- Hotel investors will continue to focus on leisure and resort destinations
- The aftermath of the Covid-19 pandemic threatens operating margins and may slow growth in RevPAR
- Focusing on sustainability may result in higher asset values, decreased operating costs and increased demand from consumers
- Hotelisation of commercial properties

STRONG RECOVERY EXPECTED TO CONTINUE IN 2022

The global transaction market is expected to continue increasing by around 35–40 percent in 2022.

Source: JLL Hotel Investment Outlook 2022.

CHANGE IN VALUE – INVESTMENT PROPERTIES

	MSEK
Investment properties, opening balance (1 January 2021)	50,181
+ Acquisitions ¹⁾	482
+ Investments in existing portfolio	563
– Divestments	—
+/- Reclassifications ²⁾	-195
+ Remeasurement for the year of property, plant and equipment in comprehensive income	—
+/- Change in value, unrealised	-368
+/- Change in value, realised ³⁾	-18
+/- Change in exchange rates	1,570
Investment properties, closing balance (31 December 2021)	52,215

CHANGE IN VALUE – OPERATING PROPERTIES (REPORTED FOR INFORMATION PURPOSES ONLY)

	MSEK
Operating properties, opening balance (1 January 2021)	9,361
+ Acquisitions ³⁾	—
+ Investments in existing portfolio	419
– Divestments	—
+/- Reclassifications ²⁾	218
+/- Change in value, unrealised	47
+/- Change in value, realised ⁴⁾	-10
+/- Change in exchange rates	345
Operating properties, closing balance (31 December 2021)	10,380

¹⁾ Acquisition of Aparthotel Adagio Edinburgh Royal Mile.

²⁾ Reclassification of hotel property in Nuremberg from Property Management to Operator Activities and of Motel One Copenhagen from Operator Activities to Property Management. The difference of MSEK -23 between investment properties and operating properties relates to the change in value for Motel One Copenhagen.

³⁾ Impairment of development costs (MSEK -6) and other disposals (MSEK -12).

⁴⁾ Disposal of equipment.

Pandox's own brands, 31 December 2021

The Hotel.
BRUSSELS

Hotel Berlin, Berlin

Hotel Hubert
Grand Place

HOTEL
mayfair


HOTELLI
KORPILAMPI

Property list

Property Management

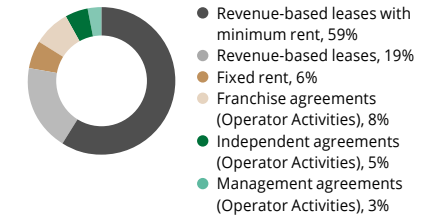
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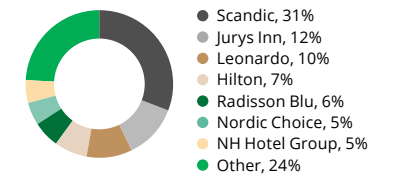
Hotels	City	Location	Environmental certification/ environmental management system	Type of agree- ment ¹⁾	Operator/brand	Sqm	Number of rooms	Brand	Demand ¹⁾
SWEDEN									
Best Western Royal Star, Älvsjö	Stockholm	Congress centre	Green Key	RM	Private/Best Western	4,900	103	Best Western	R
Clarion Grand Hotel Helsingborg	Helsingborg	City centre	ISO 14001	RM	Nordic Choice Hotels/Clarion Hotel	8,555	158	Nordic Choice Hotels	D
Clarion Hotel Grand Östersund	Östersund	City centre	ISO 14001	RM	Nordic Choice Hotels/Clarion Hotel	8,766	197	Nordic Choice Hotels	D
Elite Park Avenue, Gothenburg	Gothenburg	City centre	Green Key	RM	Elite/Elite Hotels	21,998	325	Elite Hotels	R
Elite Stora Hotellet, Jönköping	Jönköping	City centre	Green Key	RM	Elite/Elite Hotels	11,378	167	Elite Hotels	D
Hilton Stockholm Slussen	Stockholm	City centre	LightStay, Green Key	R	Hilton/Hilton	18,416	289	Hilton	R
Mora Hotell & Spa	Mora	City centre	Green Key	RM	Private/Independent	9,161	140	Independent	D
Quality Hotel Ekoxen	Linköping	City centre	ISO 14001	RM	Nordic Choice Hotels/Quality Hotel	14,671	208	Nordic Choice Hotels	D
Quality Hotel Grand Borås	Borås	City centre	ISO 14001	RM	Nordic Choice Hotels/Quality Hotel	9,593	158	Nordic Choice Hotels	D
Quality Hotel Luleå	Luleå	City centre	ISO 14001	RM	Nordic Choice Hotels/Quality Hotel	12,166	220	Nordic Choice Hotels	D
Quality Hotel Park Södertälje	Södertälje	City centre	ISO 14001	R	Nordic Choice Hotels/Quality Hotel	10,292	207	Nordic Choice Hotels	D
Quality Hotel Winn Göteborg	Gothenburg	Ring road	ISO 14001	RM	Nordic Choice Hotels/Quality Hotel	5,800	121	Nordic Choice Hotels	R
Radisson Blu Hotel, Arlandia	Stockholm	Airport	Green Key	RM	Radisson Hospitality/Radisson Blu	15,260	342	Radisson Blu	R
Radisson Blu Hotel, Malmö	Malmö	City centre	Green Key	RM	Radisson Hospitality/Radisson Blu	18,969	229	Radisson Blu	D
Scandic Alvik, Stockholm	Stockholm	Ring road	Nordic Swan	RM	Scandic/Scandic	12,075	324	Scandic	R
Scandic Backadal, Gothenburg	Gothenburg	Ring road	Nordic Swan	RM	Scandic/Scandic	9,397	236	Scandic	R
Scandic Crown, Gothenburg	Gothenburg	City centre	Nordic Swan	R	Scandic/Scandic	24,380	338	Scandic	R
Scandic Elmia, Jönköping	Jönköping	Congress centre	Nordic Swan	RM	Scandic/Scandic	11,230	287	Scandic	D
Scandic Grand, Örebro	Örebro	City centre	Nordic Swan	R	Scandic/Scandic	12,900	224	Scandic	D
Scandic Hallandia, Halmstad	Halmstad	City centre	Nordic Swan	R	Scandic/Scandic	7,617	170	Scandic	D
Scandic Helsingborg Nord	Helsingborg	Ring road	Nordic Swan	RM	Scandic/Scandic	9,399	240	Scandic	D
Scandic Järva Krog, Stockholm	Stockholm	Ring road	Nordic Swan	R	Scandic/Scandic	11,300	215	Scandic	R
Scandic Kalmar Väst	Kalmar	Airport	Nordic Swan	RM	Scandic/Scandic	5,485	150	Scandic	D
Scandic Kista	Stockholm	City centre	Nordic Swan	R	Scandic/Scandic	5,517	149	Scandic	R
Scandic Kramer, Malmö	Malmö	City centre	Nordic Swan	R	Scandic/Scandic	7,441	113	Scandic	D
Scandic Kungens Kurva, Stockholm	Stockholm	Ring road	Nordic Swan	RM	Scandic/Scandic	11,581	260	Scandic	R
Scandic Linköping Väst	Linköping	Ring road	Nordic Swan	RM	Scandic/Scandic	6,105	153	Scandic	D
Scandic Luleå	Luleå	Ring road	Nordic Swan, BREEAM In Use	RM	Scandic/Scandic	11,313	273	Scandic	D
Scandic Malmen, Stockholm	Stockholm	City centre	Nordic Swan	RM	Scandic/Scandic	15,130	332	Scandic	R
Scandic Mölndal, Gothenburg	Gothenburg	City centre	Nordic Swan	R	Scandic/Scandic	11,000	208	Scandic	R
Scandic Norrköping Nord	Norrköping	Ring road	Nordic Swan	RM	Scandic/Scandic	6,768	151	Scandic	D
Scandic Park, Stockholm	Stockholm	City centre	Nordic Swan	R	Scandic/Scandic	12,290	203	Scandic	R
Scandic Plaza, Borås	Borås	City centre	Nordic Swan	R	Scandic/Scandic	10,592	204	Scandic	D
Scandic S:t Jörgen, Malmö	Malmö	City centre	Nordic Swan	RM	Scandic/Scandic	24,401	288	Scandic	D
Scandic Segevång, Malmö	Malmö	Ring road	Nordic Swan	RM	Scandic/Scandic	6,284	169	Scandic	D
Scandic Skärholmen	Stockholm	City centre	Nordic Swan	R	Scandic/Scandic	7,400	208	Scandic	R
Scandic Star Sollentuna	Stockholm	City centre	Nordic Swan	RM	Scandic/Scandic	18,573	270	Scandic	R
Scandic Sundsvall Nord	Sundsvall	Ring road	Nordic Swan	RM	Scandic/Scandic	4,948	169	Scandic	D
Scandic Södertälje	Södertälje	Ring road	Nordic Swan	RM	Scandic/Scandic	5,630	131	Scandic	D
Scandic Winn, Karlstad	Karlstad	City centre	Nordic Swan	R	Scandic/Scandic	10,580	199	Scandic	D
Scandic Örebro Väst	Örebro	Ring road	Nordic Swan	RM	Scandic/Scandic	7,621	212	Scandic	D
Vildmarkshotellet, Kolmården	Norrköping	Resort	Nordic Swan	RM	Private/Independent	10,300	213	Independent	D

Facts – total Pandox portfolio

Rooms by agreement type, 31 December 2021



Rooms by brand, 31 December 2021



Key

R	Revenue-based
RM	Revenue-based with contractual minimum level
RP	Revenue-based and profit-based
P	Profit-based
F	Fixed
IP	International profit-based
M	Management agreement
FR	Franchise agreement
AM	Asset management agreement
D	Domestic
R	Regional
I	International

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Hotels	City	Location	Environmental certification/ environmental management system	Type of agree- ment ¹⁾	Operator/brand	Sq m	Num- ber of rooms	Brand	Demand ¹⁾
NORWAY									
Clarion Collection Hotel Arcticus	Harstad	City centre	ISO 14001	RM	Nordic Choice Hotels/Clarion Collection Hotel	5,034	112	Nordic Choice Hotels	D
Clarion Collection Hotel Bastion	Oslo	City centre	ISO 14001	R	Nordic Choice Hotels/Clarion Collection Hotel	4,688	99	Nordic Choice Hotels	R
Comfort Hotel Børsparken	Oslo	City centre	ISO 14001	RM	Nordic Choice Hotels/Comfort Hotel	9,736	248	Nordic Choice Hotels	R
Comfort Hotel Bergen	Bergen	City centre	ISO 14001	RM	Nordic Choice Hotels/Comfort Hotel	5,920	159	Nordic Choice Hotels	D
Scandic Alexandra, Molde	Molde	City centre		R	Scandic/Scandic	18,356	165	Scandic	D
Radisson Blu Hotel, Bodø	Bodø	City centre	Green Key	RM	Radisson Hospitality/Radisson Blu	15,546	191	Radisson Blu	D
Scandic Kokstad, Bergen	Bergen	Airport	Nordic Swan	R	Scandic/Scandic	9,654	199	Scandic	D
Scandic Bodø	Bodø	City centre	Nordic Swan	R	Scandic/Scandic	8,750	136	Scandic	D
Scandic Hafjell	Øyer	Resort		R	Scandic/Scandic	9,540	210	Scandic	D
Scandic Lillehammer	Lillehammer	City centre		R	Scandic/Scandic	18,000	303	Scandic	D
Scandic Ringsaker	Hamar	Ring road	Nordic Swan	RM	Scandic/Scandic	9,250	176	Scandic	D
Scandic Solli, Oslo	Oslo	City centre	Nordic Swan	RM	Scandic/Scandic	12,962	226	Scandic	R
Scandic Sørlandet, Kristiansand	Kristiansand	Resort	Nordic Swan	R	Scandic/Scandic	9,940	210	Scandic	D
Scandic Valdres, Fagernes	Fagernes	Resort	Nordic Swan	R	Scandic/Scandic	10,310	139	Scandic	D
DENMARK									
Urban House by Meininger Copenhagen	Copenhagen	City centre		RM	Meininger/Meininger	8,158	228	Meininger	R
Motel One Copenhagen	Copenhagen	City centre	Green Key, ISO 14001, ISO 50001	RM	Motel One/Motel One	7,963	200	Motel One	R
Scandic Copenhagen	Copenhagen	City centre	Nordic Swan	R	Scandic/Scandic	31,500	486	Scandic	R
Scandic Glostrup	Copenhagen	Ring road	Nordic Swan	R	Scandic/Scandic	5,767	120	Scandic	R
Scandic Hvidovre	Copenhagen	Ring road	Nordic Swan	R	Scandic/Scandic	9,005	207	Scandic	R
Scandic Kolding	Kolding	Ring road	Nordic Swan	RM	Scandic/Scandic	10,472	186	Scandic	D
Scandic Sluseholmen	Copenhagen	Ring road	Nordic Swan	R	Scandic/Scandic	14,177	215	Scandic	R
FINLAND									
Skyline Airport Hotel	Vantaa	Airport	EcoCompass	RM	Private/Independent	9,717	214	Independent	R
Pilot Airport Hotel	Vantaa	Airport		R	Private/Independent	3,570	109	Independent	R
Hilton Helsinki Kalastajatorppa	Helsinki	Ring road		RM	Scandic/Hilton	26,171	238	Hilton	R
Hilton Helsinki Strand	Helsinki	City centre	Nordic Swan	RM	Scandic/Hilton	18,450	190	Hilton	R
Scandic Imatran Valtionhotelli	Imatra	City centre		RM	Scandic/Scandic	12,234	137	Scandic	D
Scandic Espoo	Espoo	Ring road	Nordic Swan	R	Scandic/Scandic	6,407	96	Scandic	D
Scandic Grand Marina, Helsinki	Helsinki	City centre	Nordic Swan	RM	Scandic/Scandic	29,607	470	Scandic	R
Scandic Jyväskylä	Jyväskylä	City centre		RM	Scandic/Scandic	8,952	150	Scandic	D
Scandic Kajanus	Kajaani	Congress centre	Nordic Swan	R	Scandic/Scandic	13,405	181	Scandic	D
Scandic Kuopio	Kuopio	City centre	Nordic Swan	RM	Scandic/Scandic	9,538	137	Scandic	D
Scandic Park, Helsinki	Helsinki	City centre	Nordic Swan	RM	Scandic/Scandic	32,271	523	Scandic	R
Scandic Rosendahl, Tampere	Tampere	Resort	Nordic Swan	R	Scandic/Scandic	18,348	213	Scandic	D
Scandic Tampere City	Tampere	City centre	Nordic Swan	RM	Scandic/Scandic	19,012	263	Scandic	D

Key

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RM	Revenue-based with contractual minimum level
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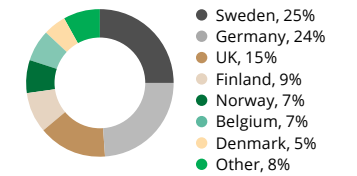
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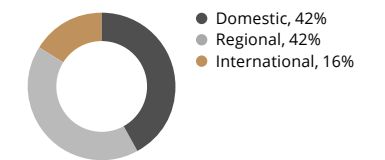
Hotels	City	Location	Environmental certification/ environmental management system	Type of agree- ment ¹⁾	Operator/brand	Sq m	Num- ber of rooms	Brand	Demand ¹⁾
GERMANY									
Dorint Hotel am Main Taunus Zentrum Frankfurt	Frankfurt	Ring road	Planet 21, Green Tourism	F	HR Group/Dorint	13,518	282	Dorint	R
Dorint Hotel an der Kongresshalle Augsburg	Augsburg	City centre	Planet 21	RM	HR Group/Dorint	9,300	184	Dorint	D
Dorint Hotel an den Westfalenhalle Dortmund	Dortmund	Congress centre	Planet 21	RM	HR Group/Dorint	14,000	221	Dorint	D
Dorint Hotel am Dom Erfurt	Erfurt	City centre	Planet 21	RM	HR Group/Dorint	13,100	160	Dorint	D
Dorint Parkhotel Bad Neuenahr	Bad Neuenahr	Resort	Planet 21	F	HR Group/Dorint	22,496	238	Dorint	D
Mercure Hotel Frankfurt Airport	Frankfurt	Airport	Planet 21	F	HR Group/Mercure	5,325	150	Mercure	R
Mercure Hotel Frankfurt Eschborn Ost	Frankfurt	City centre	Planet 21	F	HR Group/Mercure	10,000	224	Mercure	R
Mercure Hotel München Neuperlach	Munich	City centre	Planet 21	F	HR Group/Mercure	12,172	253	Mercure	R
Pullman Hotel Stuttgart Fontana	Stuttgart	City centre	Planet 21	F	HR Group/Pullman	13,666	252	Pullman	R
Mercure Hotel Schweinfurt Maininsel	Schweinfurt	City centre	Planet 21	F	HR Group/Mercure	9,929	133	Mercure	D
Leonardo Hotel Aachen	Aachen	City centre		RM	Fattal/Leonardo	5,320	99	Leonardo	D
Leonardo Hotel Düsseldorf Airport Ratingen	Düsseldorf	Airport		RM	Fattal/Leonardo	9,900	199	Leonardo	R
Leonardo Hotel Düsseldorf City Center	Düsseldorf	City centre		RM	Fattal/Leonardo	10,544	134	Leonardo	R
Leonardo Hotel Frankfurt City South	Frankfurt	Airport		RM	Fattal/Leonardo	15,800	295	Leonardo	R
Leonardo Hotel Hamburg City Nord	Hamburg	City centre		RM	Fattal/Leonardo	9,237	182	Leonardo	R
Leonardo Hotel Hannover	Hannover	City centre		RM	Fattal/Leonardo	10,350	178	Leonardo	D
Leonardo Hotel Hannover Airport	Hannover	Airport		RM	Fattal/Leonardo	11,777	214	Leonardo	D
Leonardo Hotel Heidelberg	Heidelberg	City centre		RM	Fattal/Leonardo	9,484	169	Leonardo	D
Leonardo Hotel Heidelberg-Walldorf	Heidelberg	City centre		RM	Fattal/Leonardo	7,966	161	Leonardo	D
Leonardo Hotel Karlsruhe	Karlsruhe	City centre		RM	Fattal/Leonardo	8,857	147	Leonardo	D
Leonardo Hotel Köln-Bonn Airport	Cologne	Airport		RM	Fattal/Leonardo	7,900	177	Leonardo	R
Leonardo Hotel Mannheim City Center	Mannheim	City centre		RM	Fattal/Leonardo	10,300	148	Leonardo	D
Leonardo Hotel Mönchengladbach	Mönchengladbach	City centre		RM	Fattal/Leonardo	6,018	128	Leonardo	D
Leonardo Royal Hotel Baden-Baden	Baden-Baden	City centre		RM	Fattal/Leonardo	8,300	121	Leonardo	D
Leonardo Royal Hotel Düsseldorf Königsallee	Düsseldorf	City centre		RM	Fattal/Leonardo	20,771	253	Leonardo	R
Leonardo Royal Hotel Frankfurt	Frankfurt	City centre		RM	Fattal/Leonardo	24,000	449	Leonardo	R
Leonardo Royal Hotel Köln Am Stadtwald	Cologne	City centre		RM	Fattal/Leonardo	9,500	150	Leonardo	R
Leonardo Hotel Wolfsburg City Center	Wolfsburg	City centre		RM	Fattal/Leonardo	19,275	343	Leonardo	D
NH Collection Hamburg	Hamburg	City centre		F	NH/NH Collection	11,611	129	NH	R
NH Frankfurt Airport	Frankfurt	Airport		RM	NH/NH	14,564	158	NH	R
NH Munich Airport	Munich	Airport	ISO 14001	RM	NH/NH	7,148	236	NH	R
Radisson Blu Hotel, Cologne	Cologne	Congress centre	Green Key	RM	Radisson Hospitality/Radisson Blu	29,600	393	Radisson Blu	R

Facts – total Pandox portfolio

Rooms by country, 31 December 2021



Rooms by demand type, 31 December 2021



Key

- R Revenue-based
- RM Revenue-based with guaranteed minimum rent
- RP Revenue-based and profit-based
- P Profit-based
- F Fixed
- IP International profit-based
- M Management agreement
- FR Franchise agreement
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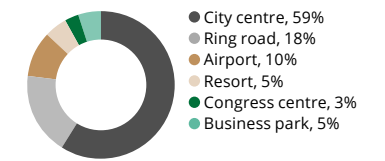
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Hotels	City	Location	Environmental certification/ environmental management system	Type of agree- ment ¹⁾	Operator/brand	Sqm	Num- ber of rooms	Brand	Demand ¹⁾
UNITED KINGDOM									
England									
Hilton London Heathrow Airport	London	Airport	ISO 50001, LightStay	R	Hilton/Hilton	25,090	398	Hilton	I
Jurys Inn Birmingham	Birmingham	City centre		RM	Fattal/Jurys Inn	27,455	445	Jurys Inn	R
Jurys Inn Bradford	Bradford	City centre		RM	Fattal/Jurys Inn	6,092	198	Jurys Inn	D
Jurys Inn Brighton Waterfront	Brighton	City centre		RM	Fattal/Jurys Inn	11,866	210	Jurys Inn	R
Jurys Inn Cheltenham	Cheltenham	City centre		RM	Fattal/Jurys Inn	6,416	122	Jurys Inn	D
Jurys Inn East Midlands Airport	East Midlands	Airport		RM	Fattal/Jurys Inn	7,869	164	Jurys Inn	D
Jurys Inn Hinckley Island	Hinckley	Ring road		RM	Fattal/Jurys Inn	28,290	362	Jurys Inn	D
Jurys Inn Leeds	Leeds	City centre		RM	Fattal/Jurys Inn	13,615	248	Jurys Inn	D
Jurys Inn London Croydon	London	City centre		RM	Fattal/Jurys Inn	12,749	240	Jurys Inn	I
Jurys Inn Manchester	Manchester	City centre		RM	Fattal/Jurys Inn	10,160	265	Jurys Inn	R
Jurys Inn Middlesbrough	Middlesbrough	City centre		RM	Fattal/Jurys Inn	8,625	132	Jurys Inn	D
Jurys Inn Oxford	Oxford	Ring road		RM	Fattal/Jurys Inn	16,755	240	Jurys Inn	R
Jurys Inn Sheffield	Sheffield	City centre		RM	Fattal/Jurys Inn	11,600	259	Jurys Inn	D
Jurys Inn Swindon	Swindon	City centre		RM	Fattal/Jurys Inn	9,589	229	Jurys Inn	D
The Midland Hotel, Manchester	Manchester	City centre		RM	Fattal/Independent	34,500	312	Independent	R
Northern Ireland									
Jurys Inn Belfast	Belfast	City centre		RM	Fattal/Jurys Inn	13,023	270	Jurys Inn	D
Scotland									
Jurys Inn Glasgow	Glasgow	City centre		RM	Fattal/Jurys Inn	14,645	321	Jurys Inn	R
Jurys Inn Inverness	Inverness	City centre		RM	Fattal/Jurys Inn	4,993	118	Jurys Inn	D
Aparthotel Adagio Edinburgh Royal Mile	Edinburgh	City centre		RM	Adagio/Adagio	8,720	146	Adagio	R
Wales									
Jurys Inn Cardiff	Cardiff	City centre		RM	Fattal/Jurys Inn	10,400	142	Jurys Inn	D
IRELAND									
Jurys Inn Cork	Cork	City centre		RM	Fattal/Jurys Inn	4,708	133	Jurys Inn	D
Jurys Inn Dublin Christchurch	Dublin	City centre		RM	Fattal/Jurys Inn	6,475	182	Jurys Inn	I
Jurys Inn Galway	Galway	City centre		RM	Fattal/Jurys Inn	5,107	130	Jurys Inn	R
OTHER									
Belgium									
nhow Brussels Bloom	Brussels	City centre	Green Key	RM	NH/NH	26,963	305	NH	I
NH Brussels EU Berlaymont	Brussels	City centre	Green Key	RM	NH/NH	10,827	214	NH	I
Netherlands									
Park Centraal Amsterdam	Amsterdam	City centre		RM	Grand City Hotels/Independent	10,811	189	Independent	I
Switzerland									
Radisson Blu Hotel, Basel	Basel	City centre	Green Key	RM	Radisson Hospitality/Radisson Blu	19,493	206	Radisson Blu	R
Austria									
NH Collection Salzburg City	Salzburg	City centre		RM	NH/NH	7,301	140	NH	R
NH Vienna Airport	Vienna	Airport	ISO 14001	RM	NH/NH	22,208	499	NH	I

Facts – total Pandox portfolio

Rooms by location, 31 December 2021



Key	
R	Revenue-based
RM	Revenue-based with contractual minimum level
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Hotels	City	Location	Environmental certification/ environmental management system	Type of agree- ment ¹⁾	Operator/brand	Sq m	Num- ber of rooms	Brand	Demand ¹⁾
BELGIUM									
Crowne Plaza Antwerp	Antwerp	Ring road	IHG Green Engage, SafeGuard, Green Key, BREEAM certification in progress	FR	Pandox/Crowne Plaza	18,340	262	Crowne Plaza	D
DoubleTree by Hilton Brussels City	Brussels	City centre	Green Key, SafeGuard	FR	Pandox/Hilton	28,095	354	Hilton	I
Hilton Grand Place Brussels	Brussels	City centre	Green Key, ISO 14001, ISO 50001, ISO 9001, BREEAM certification in progress	FR	Pandox/Hilton	22,186	224	Hilton	I
Holiday Inn Brussels Airport	Brussels	Airport	Green Key, BREEAM certification in progress	FR	Pandox/Holiday Inn	21,072	310	Holiday Inn	I
Hotel Hubert Brussels	Brussels	City centre	Green Key, BREEAM In Use Very Good	IP	Pandox/Independent	4,650	100	Independent	I
Hotel Indigo Brussels City	Brussels	City centre	Green Key, SafeGuard, BREEAM In Use Very Good	FR	Pandox/Indigo	13,850	284	Indigo	I
The Hotel Brussels	Brussels	City centre	Green Key, SafeGuard, BREEAM certification in progress	IP	Pandox/Independent	35,612	421	Independent	I
FINLAND									
Hotel Korpilampi, Espoo	Espoo	Resort	Green Key, BREEAM certification in progress	IP	Pandox/Independent	12,918	160	Independent	D
DENMARK									
Hotel Mayfair	Copenhagen	City centre	Green Key	IP	Pandox/Independent	7,465	203	Independent	R
CANADA									
DoubleTree by Hilton Montreal	Montreal	City centre	Green Key, SafeGuard	FR	Pandox/Hilton	44,148	595	Hilton	I
InterContinental Montreal	Montreal	City centre	Green Key, SafeGuard	M	IHG/InterContinental	25,524	357	InterContinental	I
NETHERLANDS									
Novotel Den Haag World Forum	The Hague	Congress centre	Planet 21	M	Grape/Novotel	10,500	216	Novotel	R
UNITED KINGDOM									
England									
Hilton Garden Inn London Heathrow Airport	London	Airport	LightStay, BREEAM In Use Very Good	FR	Pandox/Hilton	14,733	364	Hilton	I
Scotland									
Radisson Blu Hotel, Glasgow	Glasgow	City centre	Green Tourism Silver, BREEAM certification in progress	M	Radisson Hospitality/Radisson Blu	20,261	247	Radisson Blu	R
GERMANY									
Holiday Inn Lübeck	Lübeck	Ring road	IHG Green Engage, SafeGuard, BREEAM certification in progress	FR	Pandox/Holiday Inn	7,022	159	Holiday Inn	D
Hotel Berlin, Berlin	Berlin	City centre	Green Key, ISO 14001, SafeGuard, BREEAM certification in progress	IP	Pandox/Independent	42,610	701	Independent	I
Novotel Hannover	Hannover	City centre	SafeGuard	M	Grape/Novotel	13,048	205	Novotel	D
Radisson Blu Hotel, Bremen	Bremen	City centre	Green Key, BREEAM In Use Very Good, SafeGuard	FR	Pandox/Radisson Blu	21,000	235	Radisson Blu	D
Radisson Blu Hotel, Dortmund	Dortmund	Congress centre	Green Key, BREEAM In Use Very Good, SafeGuard	FR	Pandox/Radisson Blu	9,100	190	Radisson Blu	D
Hotel property in Nuremberg	Nuremberg	City centre	rightandfair, ISO 14040	-	Pandox/Independent	14,795	316	-	D

External management agreements

Hotels	City	Location	Environmental certification/ environmental management system	Type of agree- ment ¹⁾	Operator/brand	Sq m	Num- ber of rooms	Brand	Demand ¹⁾
BAHAMAS									
Pelican Bay, Grand Bahama Island*	Lucaya	Resort		AM	Sundt AS/Independent	NM	186	Independent	

* Owned by Sundt AS, a related party of Helene Sundt AS and CGS Holding AS, a principal shareholder in Pandox. Pandox is paid based on a percentage of the hotel's revenues.

Key	
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RM	Revenue-based with contractual minimum level
RP	Revenue-based and profit-based
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M	Management agreement
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Thorough risk management creates freedom to act

A number of factors affect, or could affect, Pandox's operations – either directly or indirectly. Pandox works continuously and in a structured way to identify business risks, in order to manage these as conscientiously and effectively as possible. Good risk management creates the freedom to act and strengthens confidence in the Company among the communities around us.



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Pandox's risk work

Pandox's business activities are associated with risk and the Company works in a structured and proactive way to map, analyse and manage this. As part of Pandox's operating activities the executive management, treasury and Board – including through the Audit Committee and Finance Committee – worked actively during the year to manage risk, taking into account the extraordinary circumstances that Covid-19 continued to bring about and with a particular focus on risk associated with property valuation, the tenants' financial status, refinancing of loans and meeting the conditions of the loans. Risks were also analysed, assessed and managed within the framework of the Company's strategy work.

Pandox assesses each risk based on the expected impact (from insignificant to very significant) if the event that triggers the risk should occur, and the likelihood (from very low to very high) of the risk then being realised. This assessment subsequently forms the basis of an evaluation of how the risk should be prioritised, whether it requires specific action or if it can be managed as part of Pandox's normal administration. The effectiveness of existing measures to mitigate risk is assessed on a scale ranging from low to high control.

Identified risks are mapped in a risk matrix based on expected impact and likelihood. By taking active steps the potential effects of risks on the business can be reduced. The Covid-19 pandemic and restrictions that in various ways limit the ability to conduct hotel operations remain a substantial risk.

FINANCIAL EFFECTS OF CHANGES IN CERTAIN KEY PARAMETERS, AS OF 31 DECEMBER 2021 ³⁾:

Investment properties, effect on fair value	Change	Effect on value, MSEK
Valuation yield 2 5	+/-0.50pp	-4,395 /+5,284
Change in exchange rates 2 5	+/-1%	+/-374
Net operating income ¹⁾ 2 4 5 6	+/-1%	+/-395 (535)

Investment properties, effect on revenues ¹⁾	Change	Revenue effect, MSEK
RevPAR (assuming a 50/50 split between occupancy and rate) 2 4 5	+/-1%	+/-5 (26)

Operating properties, effect on revenues ¹⁾	Change	Revenue effect, MSEK
RevPAR (assuming a 50/50 split between occupancy and rate) 2 4 5	+/-1%	+/-7 (22)

Financial sensitivity analysis, effect on earnings	Change	Effect on earnings before changes in value, MSEK
Current fixed interest, change in interest rates, with derivatives ²⁾ 2 5	+/-1%	+6/-171
Current fixed interest, change in interest rates, without derivatives ²⁾ 2 5	+/-1%	-215/+31
Remeasurement of interest rate derivatives following shift in yield curves 2 5	+/-1%	+/-988

¹⁾ The value is the level at the end of 2021 based on 32 fully variable agreements and 16 agreements (of a total 96) where the rent is variable above a minimum level. In leases with a minimum rent level, variable rent is generated only when cumulative rent exceeds the minimum level. The value in brackets is for 2019, which was unaffected by the Covid-19 pandemic and is an approximation of a normal business year.

²⁾ The effect on earnings is asymmetrical because Pandox has limited opportunities to fully benefit from negative market interest rates.

³⁾ The effects are described in detail in the respective note.

Financial sensitivity analysis

The sensitivity analysis above describes the financial effects of changes in certain key parameters linked to risk. The figures indicate which risk area is most relevant to each parameter. In terms of financial reporting of both income and financial position, changes in

valuation yields currently have the greatest impact overall. If the market value of the hotel properties falls, this will have a negative impact on Pandox's income statement and balance sheet.

Reflections on two years with Covid-19

The past two years have been unique from a risk perspective. Pandox's strategy, business model, organisation and employees, as well as its income statement and balance sheet, have been very much put to the test. The particular feature of Covid-19 has been the many restrictions imposed by the authorities that limited the ability to operate hotels in many markets at the same time, leading to a dramatic decrease in demand.

As vaccination programmes have been successfully implemented and the spread of infection has developed differently between countries, a certain positive effect of Pandox's geographical diversification has been noted. Pandox's exposure to mainly domestic demand has also been positive.

Although the capital market is open, financially squeezed operators that may not be able to pay their rent remain the weakest link in the chain of risk. This is in turn linked to the (discounted) cash flows that make up the value of Pandox's hotel properties, which for their part materially affect Pandox's key financial ratios such as interest coverage ratio and loan-to-value ratio – and by extension also Pandox's refinancing risk. During the pandemic, as a consequence of agreements and legal requirements, Pandox has adjusted its rent payment terms in order to support its tenants. This has given rise to deferred rent receivables in the balance sheet that are secured by various kinds of collateral.

Pandox's financial protection consists mainly of contractual minimum rent and fixed rent, which cover all of Pandox's costs and ensure a satisfactory interest coverage ratio at Group level. Pandox also has a strong financial position with cash and cash equivalents and unutilised credit facilities of MSEK 3,576 as at 31 December 2021. In addition, the fact that Pandox is able to take over operations at hotel properties owned by the Company offers significant operational and financial protection. However, taking over operations on a large scale may reduce earnings in the short term.

PANDOX'S RISKS AND THE COMPANY'S MANAGEMENT OF SUCH RISKS ARE DESCRIBED IN MORE DETAIL BELOW.
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Risk	Description	Risk management
1. EXTERNAL RISK		
Economic downturn	Economic activity is a primary driver of both business and leisure travel, and a weakened economy can therefore have a negative effect on demand.	<ul style="list-style-type: none"> The portfolio consists of a large number of sizeable hotel properties with a good spread as regards geography, location, brand, operating model and type of demand (international, domestic and regional) The hotel properties are predominantly full-service hotels in the upper-mid segment, which has historically been more stable in earnings than, for example, the high price segment
Disruptive business models	Pandox's business model may be challenged by the emergence of new business models, such as online travel agencies (OTAs) and home sharing services. If Pandox is not able to keep up with the competition, this could have a negative impact on revenues and earnings.	<ul style="list-style-type: none"> Pandox works with around 30 different hotel operators and hotel brands; this gives the Company a unique position as regards information and knowledge of market changes and also helps to diversify commercial risk Pandox's working methods are based on optimising revenues taking into account the distribution landscape and its impact on revenue and costs, including through the support of a Group-wide Revenue Management Centre Long leases with external hotel operators which stipulate a contractual minimum rent; general deductions for commission are not usually permitted
Geopolitical events	Security and geopolitical events can have significant effects on travel patterns and demand in the hotel market.	<ul style="list-style-type: none"> A well thought-out strategy and business plan exists for each individual hotel property and geographical area; the ability to continually monitor economic conditions for each individual hotel property creates a readiness to make quick business decisions when needed
Overexpansion of hotel rooms	New capacity in the form of new hotels and hotel rooms could have a significant adverse impact on RevPAR in individual markets.	<ul style="list-style-type: none"> Ongoing market analysis is carried out for each geographical area of operations and hotel property, which means that changes in the market are detected early on and measures can be initiated without delay
Pandemics	Global spread of infectious diseases resulting in extraordinary social measures in many countries simultaneously, such as travel restrictions, limits on meetings and public gatherings, and restricting the ability to run hotel operations.	<ul style="list-style-type: none"> Geographically diversified hotel property portfolio Exposure to mainly domestic demand Significant proportion of leases have contractual minimum rent and fixed rent
Terrorist attacks	Disruptive events that affect Pandox-owned hotel properties and hotels directly, or indirectly through a significant impact on infrastructure that is critical to society.	<ul style="list-style-type: none"> Ongoing security efforts Contingency plans Insurance cover Geographical diversification
2. STRATEGIC RISK		
Growth through acquisitions	Risk attributable to acquisitions is mainly the risk of paying too much for assets, the risk of incorrect assumptions as regards future earnings of the acquired asset/business, the risk of taking over leases or other agreements that are unfavourable, and the risk of management time and other resources being spent on acquisitions that are not completed.	<ul style="list-style-type: none"> Pandox's long-term focus on hotel properties as a class of asset has generated extensive specialist expertise An active Board of Directors and active principal shareholders, experienced management and a sound basis for decisions Pandox has a well thought-out strategy in which the country, city, type of hotel, brand, type of agreement, form of operation and yield are continually and consistently evaluated Tried and tested due diligence processes supported by internal and external specialists reduce the risk of incorrect acquisitions Pandox's way of working (the Pandox Method) increases cash flow and limits risk for the hotel in question
Major investments in the existing portfolio	There is a risk that the costs of investments may be higher than expected and that the return is therefore lower than expected because of inaccurate costings, unprofessional procurement or inefficient project implementation.	<ul style="list-style-type: none"> Extensive specialist knowledge of the identification, evaluation and implementation of investments in the existing hotel property portfolio Long-term investment management of measures implemented in the property portfolio Monthly review of all investment projects Follow-up and calculation of actual costs and outcomes for completed investment projects
Impact of digitalisation	Digitalisation is bringing about major changes in society and is changing people's behaviour. This affects Pandox's organisation and ways of working, and opens up opportunities for new actors with different business models to become established.	<ul style="list-style-type: none"> Pandox works proactively at an operational level to gather know-how on strategic digitalisation matters Work on targeted initiatives is in progress within various parts of the Company and Pandox continually reviews its ways of working and processes in order to increase its digital readiness

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2. STRATEGIC RISK, cont.		
Major lease renegotiations	The risk of disadvantageous changes in rent levels and/or the division of responsibilities when making investments and/or taking over operations.	<ul style="list-style-type: none"> • Attractive hotel products and close dialogue with tenants • Internal project team with good expertise and clear authority
Concentration on a few tenants	Being highly dependent on a small number of tenants could increase operational and financial risk.	<ul style="list-style-type: none"> • Competitive and operationally strong tenants • Clear division of responsibilities and risk in the lease • Various kinds of guarantees as security for rent payments
3. OPERATIONAL RISK		
Dependence on key individuals	High dependence on individuals in key positions can pose a risk of daily duties not being able to be performed with adequate efficiency and quality.	<ul style="list-style-type: none"> • Plan for long-term talent supply • Good knowledge of external individuals in senior roles for recruitment • Strong external network with supporting specialist expertise • Remuneration Committee that ensures competitive levels of remuneration • Clear personal incentives and long contract terms • Procedures and process descriptions for key functions to reduce dependence on individual personnel
Competency of employees	The risk that Pandox is unable to find the right competencies in new markets or to replace lost competencies in existing markets, or is unable to do so sufficiently quickly.	<ul style="list-style-type: none"> • As part of operational HR work, recruitment needs are reviewed regularly at both the central and local level • Strong external network with supporting specialist expertise • Attractive workplace with great personal freedom in professional roles and good opportunities to develop
Tenants' business and financial status	The risk that tenants underperform and/or are unable to pay their rent.	<ul style="list-style-type: none"> • Individual business plans for each hotel property • Each tenant's results are followed up monthly, as are ongoing investment projects • Various guarantees that in certain circumstances may be called on to cover unpaid rent
Integration of acquisitions	Commercial, technical and accounting risks that arise ahead of, during and after an acquisition or business takeover.	<ul style="list-style-type: none"> • Many years of experience of integrating acquisitions in numerous geographical markets • Clear project organisation and allocation of roles • Internal specialist expertise in property, finance, tax, valuation, law and communication • Clear work methods and processes • Extensive external network with specialist expertise
Own operating activities at hotels	Pandox is exposed to certain risks that commonly occur within hotel operations, such as increased operating costs that cannot be fully offset by increased room rates or increased prices for other hotel services, the costs of compliance with laws and regulations, the ability to forecast occupancy and average room rates and to plan staffing, the quality and reputation of hotel brands used, an inability to keep pace with technological development, faults in or damage to IT systems, as well as risks and costs associated with protecting the privacy of guests' personal data and providing for their physical safety.	<ul style="list-style-type: none"> • Strategic and operational work to ensure each hotel is optimally positioned in each market • Strong local management and an effective organisation • A Group-wide Revenue Management Centre for distribution of hotel products • Modern systems for revenue forecasts, staffing and productivity • Ongoing benchmarking and analysis of each hotel's performance in relation to its immediate competitors
IT security	As digitalisation has increased, so too has the risk of IT incidents that could result in the loss, manipulation or locking of data and systems.	<ul style="list-style-type: none"> • Each year the Board of Directors adopts an IT Policy • Well-separated system environments with few users at Group level • Regular risk analysis and continual maintenance of IT security supported by external expertise
Tax risk	Pandox could be affected by changes in tax legislation or practice. Pandox's tax situation may worsen if the Company's past or current management and assessment of tax matters is successfully questioned.	<ul style="list-style-type: none"> • Pandox has internal tax expertise and works with reputable external tax advisors on acquisitions, divestments and ongoing evaluation of changes in tax legislation and its interpretation in each country of operation • Planning of measures based on proposed changes to tax legislation is initiated at an early stage • In the event of inquiries from local tax authorities, reputable external tax advisors are consulted • Pandox has a Tax Policy adopted by the Board of Directors which, among other things, expressly stipulates that Pandox is to comply with all laws and rules in force where the Group's companies operate, and that tax is to be managed on a sound business basis and in an ethical way that is prudent and transparent; aggressive or advanced tax planning is not allowed

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Risk	Description	Risk management
3. OPERATIONAL RISK, cont.		
Disputes	Disputes can arise in various areas and can have negative financial consequences and reduce confidence.	<ul style="list-style-type: none"> A generally cautious approach Strong network of advisors in each individual market and for each type of issue
Inflation	Shortages and disruption in the economy that result in cost inflation for investments and/or the operation of hotel properties and hotels.	<ul style="list-style-type: none"> Planned purchasing in large volumes Increased input prices can be offset by raising room rates and prices of other hotel services in Operator Activities
4. FINANCIAL RISK		
Fluctuations in interest rates	Interest expense is, and has historically been, Pandox's largest item of expenditure. Interest expense is affected by market interest rates and by credit institutions' margins, as well as by Pandox's strategy as regards fixed interest. The majority of Pandox's credit facilities have a variable rate of interest. There is a risk that Pandox's interest expense will increase if market interest rates rise, or that Pandox will fix its interest rates at a level that is higher than the market interest rate.	<ul style="list-style-type: none"> Interest rate derivatives are used – mainly interest rate swaps – in order to manage interest rate risk and increase the predictability of Pandox's earnings Variable interest rates are partially swapped through interest rate swaps, giving Pandox fixed interest rates Pandox has a Financial Policy that regulates risk mandates and is approved annually by the Board of Directors Internal specialist expertise in treasury and risk Close cooperation with external financial expertise
Refinancing and liquidity risk	<p>Refinancing risk is the risk that financing cannot be obtained or renewed upon maturing, or only at significantly higher costs.</p> <p>Liquidity risk refers to the risk that Pandox will be unable to meet its payment commitments due to a lack of liquidity.</p>	<ul style="list-style-type: none"> Pandox has access to long-term financing Pandox's Financial Policy specifies minimum levels of unutilised credit and loan-to-value ratio Pandox has a liquidity reserve to ensure that the Company is able to meet ongoing payment obligations at all times Pandox has good access to long-term credit facilities Pandox has a diversified portfolio of lenders consisting of 11 Nordic and international banking partners Pandox has established a separate Finance Committee consisting of members of Pandox's Board of Directors and executive management in order to manage key practical and strategic matters relating to the Company's financing
Breach of terms and covenants in credit agreements	Considering the extraordinary situation created by Covid-19, it cannot be ruled out that a situation might arise where, for example, commitments and covenants in the Company's credit agreements are not met.	<ul style="list-style-type: none"> Ongoing monitoring and control of the credit portfolio and its terms and covenants Proactive and close dialogue with lenders concerning adapting the terms and covenants in existing credit agreements Specific actions that can be taken, if needed, to remedy any non-compliance, such as payment of interest into an escrow account, adjustment of covenants, covenant holidays or certain repayments In 2021 lenders provided waivers in individual credit agreements
Currency risk	Currency risk is defined as the risk of the consolidated income statement and consolidated statement of financial position being negatively impacted by exchange rate fluctuations. This risk can be divided up into transaction exposure, i.e. the net amount of operating and financial (interest/principal repayment) flows, and translation exposure associated with net investments in foreign Group companies.	<ul style="list-style-type: none"> Foreign operations generally report both income and expenses in local currency, which means that currency exposure resulting from current flows, i.e. transaction exposure, is limited; in view of the limited risk, Pandox does not currency-hedge these flows unless there is a particular reason to do so Equity is currency-hedged ahead of acquisitions, investments and divestments to avoid changes in the value of equity Pandox reduces its currency exposure associated with net investments in foreign Group companies by taking out loans in local currencies
Certification and authorisation	Authority to take decisions, approval matrix and payment processes.	<ul style="list-style-type: none"> An approval matrix established by the Board of Directors Well-defined levels of authority in internal systems Special verification for payments and orders above a certain level in the approval matrix
Financial statements	<p>Errors in or inconsistent quality of both internal and external reporting, such as errors in rent accounting and property valuation.</p> <p>Risks also include late reporting or reporting not being in compliance with the Group's accounting principles.</p>	<ul style="list-style-type: none"> Pandox aims to have uniform procedures and checks for financial reporting that are adapted to and support its operations across the Group Manuals, instructions, schedules and reviews with the subsidiaries in the Group to ensure consistent and timely reporting An Audit Committee appointed by the Board of Directors reviews the Group's financial reporting and risk management

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4. FINANCIAL RISK, cont.		
Property valuation	Individual and systematic errors in the valuation process, such as incorrect assumptions regarding growth, profitability and valuation yield.	<ul style="list-style-type: none"> Pandox has a robust valuation process and a consistent valuation approach; the valuation model consists of an accepted and proven cash flow model, where the future cash flows that the hotel properties are expected to generate are discounted by the market yield requirements The valuation is based on the business plan for the hotel concerned, which is updated at least twice a year and takes into consideration, among other things, developments in underlying operator activities, market developments, the contract situation, operating and maintenance issues and investments aimed at maximising the hotel property's cash flow and yield in the long term External valuations of all properties are normally carried out annually by independent property appraisers; the external valuations provide an important reference point for Pandox's internal valuations, to the extent that differences compared with internal valuations are analysed to challenge the internal valuation The external appraisers complete a more in-depth inspection at least every three years or in conjunction with major changes to the properties Quarterly review of valuations by Pandox's management, Audit Committee, Finance Committee and Board of Directors before publication of each financial report For further information on property valuation, see pages 143–146
Insurance errors	Particularly the risk of properties being underinsured and that adequate insurance compensation cannot be obtained in the event of a loss.	<ul style="list-style-type: none"> Insurance policies are reviewed at least annually Ongoing advice on premiums and insurance levels
Counterparty risk related to bank derivatives	The risk that a bank which issues OTC derivatives is unable to meet its contractual obligations.	<ul style="list-style-type: none"> Banks with a good rating Risk tolerance managed in Financial Policy Continuous monitoring by treasury
Rent reporting	Under- or overestimation of rental income.	<ul style="list-style-type: none"> Continuous monitoring and reconciliation with tenant Periodic review of rent reporting internally and, where relevant, externally with tenant

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Risk	Description	Risk management
5. SUSTAINABILITY RISK		
Environment	Pandox impacts the environment through the use of energy, water, chemicals and materials, and generates emissions and waste. A deterioration in the physical environment may negatively impact people in and around our hotels, as well as the properties, which could result in increased costs and a need for investments.	<ul style="list-style-type: none"> • Environmental Policy • Collaboration with tenants and business partners on investments for environmental improvements • Measures to improve resource efficiency through Pandox's green investment programmes • Environmental certification of hotel operations and properties
Climate change	Extreme weather and floods could damage the properties. Higher temperatures and more heatwaves could result in water shortages. Scarcity of natural resources could result in increased costs for materials and energy. The transformation of society could result in reduced international travel but greater regional travel, thereby creating new business opportunities.	<ul style="list-style-type: none"> • Environmental Policy • Measures to reduce energy and water consumption and to lower emissions of greenhouse gases and volumes of waste • Environmental certification of hotel operations and properties • Increased use of renewable energy and photovoltaics
Human rights	Failures in the supply chain and in the operations could result in infringement of human rights. In the property sector there is a risk of illegal labour and wage dumping; in the hotel industry, the main risk is of trafficking and prostitution in and around the hotels.	<ul style="list-style-type: none"> • Human Rights Policy • Code of Conduct for employees and business partners • Risk analysis and supplier monitoring process • Training in human rights for employees • Whistleblower system and process for following-up on incidents • Modern Slavery Act statement
Employees' confidence	The risk that Pandox may be seen as an unattractive employer and find it difficult to retain existing staff and to recruit new employees. Dissatisfied employees could have a negative effect on the Company, hotel guests and business partners, which is an operational risk.	<ul style="list-style-type: none"> • Code of Conduct for employees • Healthcare and wellbeing initiatives • Performance and career development reviews and annual pay revision • Opportunities for specialisation and further training • Varied work with great opportunities to have an influence
Health and safety	In the hotel industry there are health and safety risks due to heavy lifting as well as slips, trips and falls, a risk of suffering burns and cuts, and risks relating to threats. Fires are another safety risk. Failures in health and safety procedures could result in injuries and ill-health among staff, guests and suppliers.	<ul style="list-style-type: none"> • Preventive healthcare and wellbeing initiatives • Regular fire inspections and fire drills • Contingency plans and security policies • Training in CPR and installation of defibrillators
Anti-corruption	Pandox has zero tolerance for corruption. Nonetheless, there is a risk of corruption in connection with, for example, sourcing of goods and services, bribery and partiality when signing agreements, and a risk of internal irregularities.	<ul style="list-style-type: none"> • Anti-corruption Policy • Code of Conduct for employees and business partners • Anti-corruption training • External whistleblower service for reporting irregularities • Internal control procedures
Data security	The risk that failures in data security and data processing could breach customers' privacy. The risk of falling victim to cybercrime is also increasing in society in general.	<ul style="list-style-type: none"> • Each year the Board of Directors adopts an IT Policy that covers data security • Code of Conduct for employees • Technical and organisational protective measures, such as firewalls and password-protected systems • Training of employees • Annual review of risks and vulnerabilities

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Interview with Pandox's new CFO Anneli Lindblom

“I’m a real fan of a good corporate culture”

On 1 December 2021 Anneli Lindblom became Pandox's new CFO. She has many years' experience of listed companies both in the role of CFO and as a board member. Anneli was attracted by Pandox's long-term perspective and its agile operational focus – and not least, its strong corporate culture.

Welcome to Pandox, Anneli!

What's your previous career experience?

In my role as CFO I've had the privilege of working in various industries, mainly in listed companies. It's always interesting to find similarities between industries and to be able to make use of what you've learnt. For example, I've worked a lot with service providers that often calculate occupancy and rates in a similar way to how it's done in hotel operations. And since 2013 I've also held board positions in the real estate sector, including as chair of the Audit Committee for Hemfosa and for Amasten.

What made you decide to take the role of CFO at Pandox?

The job at Pandox attracted me because of the opportunity to combine real estate with selling a different kind of service in the hotel industry. I love the combination of managing a large balance sheet with a long-term perspective while at the same time working with incredibly agile operating activities. I'm a real fan of a good corporate culture and I liked what I heard about Pandox. When you've worked in organisations with lots of employees you see the confidence that a good corporate culture can create – and which then injects more energy into the day-to-day work and increases job satisfaction.

“Pandox is a driven, forward-looking company, despite the negative impact of the pandemic”

Anneli Lindblom, CFO

What are your first impressions of Pandox?

That it's a driven, forward-looking company, despite the impact of the pandemic on the industry in general. The way it has continued to develop without being paralysed by the restrictions that were reintroduced in the fourth quarter is an indication of Pandox's ability to move forward even in a headwind. At my first meetings with my colleagues at Pandox I was also struck by the in-depth expertise everyone seemed to have in their respective areas.

And the obvious question: what's your favourite hotel?

My two absolute favourite hotels are Hotell Granen in Åre and Sporthotellet in Engelberg, two hotels that offer excellent personal service combined with good food. But then my positive view is probably also influenced by the fact that I like skiing and snowboarding, so I get a great feeling as soon as I step into reception there.



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From a financial perspective, Pandox operates two types of business which are reported as distinct business segments. The largest is Property Management which, taking into account the nature of hotel properties, is fully comparable to most other property companies. The second is Operator Activities where Pandox, in addition to owning the hotel property, also operates the hotel in the property. This combination means that Pandox's earnings at the aggregate level are not fully comparable with those of other property companies and that Pandox's two business segments are not fully comparable with each other either.

Income statement

● **Net sales:** Consists of both rental income from Property Management and revenue from Operator Activities and is therefore less useful as an aggregate measurement. Revenue from the respective business segments should be assessed separately.

● **Net operating income:** For comparability between the business segments, depreciation is added to gross profits for Operator Activities.

● **Changes in value:** Three different types of changes in value are recognised under this heading:

1. Unrealised changes in the value of properties refers to the change (increase/decrease) in the market value of investment properties. Remember that operating properties are not measured at market value according to IFRS. They are instead recognised at cost. Pandox does, however, assess the market value of operating properties on an ongoing basis and reports the value for information purposes. This value is also included in EPRA NRV.
2. Realised changes in the value of properties is the difference between the properties' book value and the value realised upon divestment.
3. Unrealised changes in the value of derivatives refers to the change (increase/decrease) in the market value of interest rate derivatives used to reach a desired interest maturity profile.

● **Tax:** Consists of current tax, which is the tax on operating activities paid by Pandox, and deferred tax on the change in the difference between the fair value and the adjusted taxable value of the properties.

● **Cash earnings:** A key measure of Pandox's financial value creation and the basis for valuation of the hotel properties. The item cash earnings consists of EBITDA minus financial expense (normally significant) plus financial income (normally marginal) and current tax. Cash earnings are more volatile than net operating income because they include more cost items, which may also vary from quarter to quarter.

📖 See page 125 for more comments on Pandox's performance.

		2021		2020	
		Mill. SEK	Mill. SEK	Mill. SEK	Mill. SEK
Consolidated statement of comprehensive income					
Profit for the year attributable to owners of the parent					
Revenue		630	2,228	630	2,228
Cost of sales		(1,117)	(2,219)	(1,117)	(2,219)
Profit before tax		513	609	513	609
Tax		(10)	(10)	(10)	(10)
Profit for the year		503	599	503	599
Other comprehensive income					
Revaluation of investment properties		1,117	1,117	1,117	1,117
Other comprehensive income		1,117	1,117	1,117	1,117
Total comprehensive income		1,620	1,716	1,620	1,716

		31 Dec 2021		31 Dec 2020	
		Mill. SEK	Mill. SEK	Mill. SEK	Mill. SEK
Consolidated statement of financial position					
Equity and liabilities					
Equity					
Share capital		460	460	460	460
Reserves		1,117	1,117	1,117	1,117
Total equity		1,577	1,577	1,577	1,577
Liabilities					
Non-current liabilities					
Other non-current liabilities		4	4	4	4
Total non-current liabilities		4	4	4	4
Current liabilities					
Trade payables		281	281	281	281
Other current liabilities		1,117	1,117	1,117	1,117
Total current liabilities		1,398	1,398	1,398	1,398
TOTAL LIABILITIES		1,402	1,402	1,402	1,402

Balance sheet

● **Non-current assets:** Here operating properties (the sum of operating properties and equipment/interiors) are recognised at cost and investment properties at fair value (market value).

● **Deferred tax assets:** This consists of the carrying amount of tax loss carryforwards which Pandox expects to be able to utilise in future financial years, and temporary measurement differences for interest rate derivatives. The loss carryforwards are mainly in the Nordic markets.

● **Deferred tax liabilities:** These largely consist of temporary differences between the fair value and adjusted taxable value of investment properties, and temporary differences between the carrying amount and taxable value of operating properties.

● **Equity/assets ratio:** The equity/assets ratio is a common method of measuring a company's financing situation and its ability to withstand financial difficulties and losses. A company's actual equity/assets ratio may, however, deviate significantly from the reported equity/assets ratio because it does not take into account so-called hidden reserves, i.e. assets that are not included or may be undervalued in the balance sheet. In Pandox's case EPRA NRV is a more accurate measure of equity because it includes the market value of all properties and derivatives and of deferred tax assets and tax liabilities. Growth in EPRA NRV is also how Pandox measures the return on the shareholders' combined equity in the Company.

📖 See page 127 for more comments on Pandox's financial position.

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The Board of Directors and Chief Executive Officer hereby submit the Annual Report and consolidated accounts for the 2021 financial year for Pandox AB (publ), company registration number 556030-7885, Box 15, 101 20 Stockholm, Sweden, street address Vasagatan 11.

Figures in brackets refer to the corresponding period the previous year. The financial statements are presented in whole millions of Swedish kronor (MSEK), which means that there may be differences in certain tables due to rounding off. The Board of Directors proposes that the income statement and balance sheet in the Annual Report be adopted by the Annual General Meeting on 12 April 2022.

With respect to the Company's financial results and position in general, please refer to the financial statements and comments that follow.

OPERATIONS

Pandox is listed on Nasdaq Stockholm's Large Cap list. Pandox is one of Europe's leading hotel property companies, with a geographical focus on Northern Europe. Pandox's strategy is to own sizeable hotel properties in the upper-mid to high-end segment with strategic locations in key leisure and corporate destinations. Pandox is an active owner with a business model based on long-term leases with the best operators in the market. In the absence of these conditions, Pandox has many years of experience of running hotels itself, which creates business opportunities throughout the hotel value chain.

At the end of 2021 Pandox's hotel property portfolio contained 157 (156) hotels with a total of 35,372 (35,059) hotel rooms in 15 countries, with a market value of MSEK 62,596 (59,542). Of the 157 hotels, 137 (136) were leased on a long-term basis to well-known tenants with established brands, providing income stability and lower investment costs and risk for Pandox. The remaining 20 (20) hotel properties are owned and operated by Pandox under various brands.

In the Property Management business segment the acquisition of Aparthotel Adagio Edinburgh Royal Mile was completed in the fourth quarter of 2021. One property in Denmark was reclassified from Operator Activities to Property Management and is under a long-term lease with Motel One. In addition, one hotel property in Nuremberg was reclassified from Property Management to Operator Activities.

The weighted average unexpired lease term (WAULT) for investment properties was 14.0 (14.6) years. Pandox has a management agreement for Pelican Bay Lucaya Resort in the Bahamas, which is owned by affiliates of Helene Sundt AS and CGS Holding AS.

In 2021 the business was affected by Covid-19 and the restrictions introduced in various markets during different periods. A weak first six months caused by restrictions was followed by a significantly stronger second half of the year, driven by a clear improvement in demand. The recovery is explained by a high level of economic activity, eased restrictions and pent-up demand for travel in all segments.

REVENUE AND PROFIT

Group

Profit for the year attributable to the Parent Company's shareholders amounted to MSEK 610 (–1,399). The improvement is mainly due to increased net operating income, which amounted to MSEK 2,005 (1,850) as a result of a significantly stronger sec-

ond half of the year driven by clearly improved demand, unrealised changes in value amounting to MSEK –368 (–1,779) and changes in the value of derivatives amounting to MSEK 740 (–221), mainly explained by changes in long-term market interest rates. The Group's net sales amounted to MSEK 3,273 (3 178). For comparable units, net sales increased by 7 percent adjusted for currency effects.

Property Management

Revenue from Property Management amounted to MSEK 2,422 (2,399), an increase of 1 percent. Most of the revenue consisted of minimum rent and fixed rent, but the share of revenue-based rent increased gradually during the period. Revenue includes one-time revenue in the form of government grants equivalent to MSEK 26. For comparable units revenue increased by 6 percent, adjusted for currency effects. A weak first six months caused by restrictions was followed by a significantly stronger second half of the year, driven by a clear improvement in demand.

Net operating income from Property Management amounted to MSEK 2,027 (2,018). For comparable units, net operating income increased by 5 percent, adjusted for currency effects.

Operator Activities

Revenue from Operator Activities amounted to MSEK 851 (779), an increase of 9 percent. For comparable units, revenue increased

CONTRIBUTION OF BUSINESS SEGMENTS TO PROFIT

MSEK	2021	2020	2019	2018	2017
Property Management					
Gross profit	2,027	2,018	2,764	2,517	1,882
Unrealised changes in value	–368	–1,779	1,389	1,428	1,625
Realised changes in value	–18	0	70	67	6
Property Management contribution	1,641	239	4,223	4,012	3,513
Operator Activities					
Gross profit	–300	–403	431	377	324
Realised changes in value	–10	—	—	—	283
Operator Activities contribution	–310	–403	431	377	607

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by 12 percent and RevPAR by 22 percent, adjusted for currency effects. The revenue increase is explained by a strong recovery in the second half of 2021, mainly due to an increase in business travel. Four hotels were closed for part of the second half of the year – three for renovation and one due to trade union negotiations. Net operating income from Operator Activities amounted to MSEK –22 (–168). Pandox received government grants during the period equivalent to a total of around MSEK 185 within Operator Activities. In addition, around MSEK 83 was transferred directly from authorities to Pandox employees in the form of salary support for furloughed personnel. Read more in the section on Covid-19 effects on page 120.

The Group's EBITDA, financial expenses and changes in value

EBITDA amounted to MSEK 1,868 (1,699), an increase of 10 percent, which is explained by an increase in underlying net operating income for both Property Management and Operator Activities.

Financial expense amounted to MSEK –944 (–902). The increase is mainly due to increased gross debt.

Unrealised changes in value for investment properties amounted to MSEK –368 (–1,779) see also the section on the effects of Covid-19 on page 120. Realised changes in value amounted to MSEK –28 (0). At the end of the period Pandox's property portfolio had a total market value of MSEK 62,596 (59,542), of which investment properties accounted for MSEK 52,215 (50,181) and operating properties for MSEK 10,380 (9,361). The market value of operating properties is reported for information purposes only and is included in EPRA NRV.

📄 *Complete information on changes in the value of properties can be found on page 99.*

As of 31 December 2021 the average valuation yield for Pandox's investment properties was 5.44 (5.44) percent and for operating properties 6.38 (6.37) percent.

Unrealised changes in the value of derivatives amounted to MSEK 740 (–221), mainly explained by changes in long-term market interest rates.

CURRENT AND DEFERRED TAX

Current tax amounted to MSEK –128 (–57), mainly explained by higher revenue in countries with limited opportunities for intra-Group eliminations and differences between booked and final tax amounts for 2020. Deferred tax amounted to MSEK –149 (191).

📄 *See also Note D1.*

CASH FLOW AND CASH EARNINGS

Cash earnings amounted to MSEK 712 (660). Cash flow from operating activities before changes in working capital amounted to MSEK 816 (613). Taxes paid amounted to MSEK –60 (–45). The change in working capital affected cash flow in the amount of MSEK –386 (–153). The cash flow from investing activities affected cash flow in the amount of MSEK –1,521 (–1,598). Cash flow from financing activities amounted to MSEK 93 (3,071), which is mainly due to higher repayments. Cash and cash equivalents at the end of the period amounted to MSEK 1,593 (2,622).

FINANCING

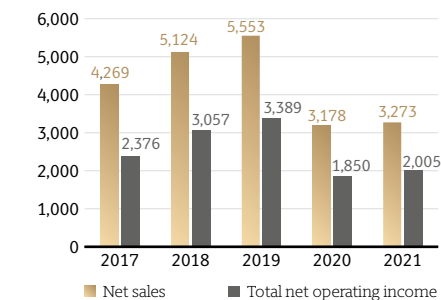
As of 31 December 2021 the net loan-to-value ratio was 49.8 (48.7) percent. Cash and cash equivalents plus unutilised credit facilities amounted to MSEK 3 576 (5,221).

At the end of the period the loan portfolio, excluding loan arrangement fees, amounted to MSEK 32,752 (31,629). The average fixed interest period was 3.3 (2.8) years and the average interest rate, corresponding to the interest rate level at the end of the period, was 2.5 (2.6) percent, including effects of interest rate derivatives but excluding arrangement fees. The average repayment period was 2.2 (2.8) years. The loans are secured by a combination of mortgage collateral and pledged shares.

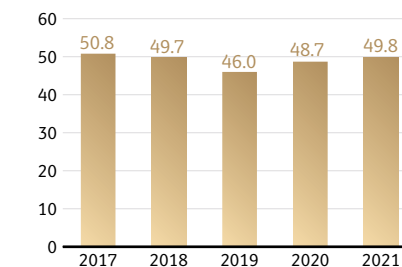
In order to manage interest rate risk and increase the predictability of Pandox's earnings, interest rate derivatives are used, mainly in the form of interest rate swaps. At the end of the period Pandox had interest rate derivatives totalling a gross amount of MSEK 27,343 and a net amount of MSEK 22,318, which is also the portion of Pandox's loan portfolio for which interest rates are hedged. Around 64 percent net of Pandox's loan portfolio was thereby hedged against interest rate movements for periods longer than one year.

At the end of the period, the net market value of Pandox's financial derivatives amounted to MSEK –58 (–798).

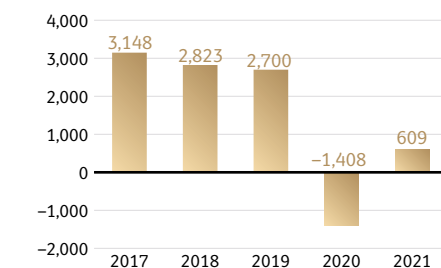
Net sales and total net operating income, MSEK



Loan-to-value ratio, %



Profit for the year, MSEK



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EQUITY AND NET ASSET VALUE

Equity attributable to the Parent Company's shareholders amounted to MSEK 25,213 (23,880) and EPRA NRV (net asset value) was MSEK 31,905 (30,813). EPRA NRV per share was SEK 173.54 (167.60).

ACQUISITIONS, SALES AND RECLASSIFICATIONS

In the Property Management business segment the acquisition of Aparthotel Adagio Edinburgh Royal Mile was completed in the fourth quarter of 2021. One property in Denmark was reclassified from Operator Activities to Property Management and is under long-term lease with Motel One Copenhagen. In addition, one hotel property in Nuremberg was reclassified from Property Management to Operator Activities.

INVESTMENTS IN EXISTING HOTEL PROPERTIES

In the period January–December 2021 investments in property and fixed assets, excluding acquisitions, amounted to MSEK 990 (907), of which MSEK 563 (492) was for investment properties, MSEK 419 (406) was for operating properties and MSEK 8 (9) was for the head office. At the end of 2021 approved investments for ongoing and future projects amounted to around MSEK 1,280. Of this figure, around MSEK 890 is expected to be completed during 2022.

Major projects include Hilton Brussels Grand Place, Holiday Inn Brussels Airport, DoubleTree by Hilton Brussels City, Crowne Plaza Antwerp, a hotel property in Nuremberg (formerly Maritim Hotel Nürnberg), Hotel Berlin, Berlin, Pullman Stuttgart Fontana, Mercure München Neuperlach, Dorint Parkhotel Bad Neuenahr, Jurys Inn Birmingham, Quality Grand Borås, Scandic Park Stockholm, Comfort Hotel Börsparken and the green investment programme.

PARENT COMPANY

Administration for activities within Pandox's property-owning companies is provided by staff employed by the Parent Company, Pandox AB (publ). The costs of these services are invoiced to

Pandox's subsidiaries. Amounts invoiced during the period January–December 2021 totalled MSEK 146 (150) and profit for the period amounted to MSEK 888 (–486). At the end of the period the Parent Company's equity amounted to MSEK 9,490 (8,603) and the external interest-bearing debt was MSEK 8,252 (4,804), of which MSEK 1,476 (3,294) was in the form of long-term debt.

SHARES AND OWNERSHIP

The class B shares of Pandox AB (publ) were listed on Nasdaq Stockholm on 18 June 2015. Pandox's share capital at the end of the year amounted to MSEK 460 (460) distributed among a total of 183,849,999 shares, of which 75,000,000 are class A shares and 108,849,999 are class B shares. The shares are denominated in SEK and each share has a quota value of SEK 2.50. According to the Articles of Association, holders of class A shares are entitled to convert all or part of their holding of class A shares to class B shares. The Articles of Association impose restrictions on the transfer of shares and on voting rights for class A shares. All class B shares are transferable without restriction. Each class A share in Pandox entitles the holder to three votes at shareholders' meetings, while each class B share entitles the holder to one vote at shareholders' meetings. No pledges have been made to the employees regarding shareholdings.

Certain of the Group's major financing agreements contain a conventional Change of Control clause. This means that in certain circumstances, the lenders have the right to demand renegotiation of the terms or to call for early repayment in the event of a change of control over the Company.

The following shareholders have direct or indirect ownership representing 10 percent or more of the voting rights for all shares in the Company:

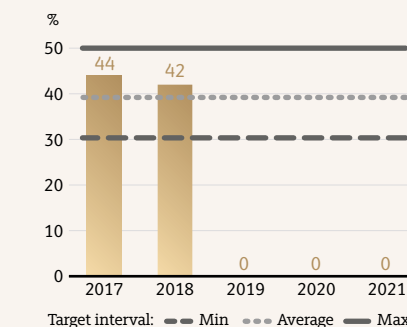
Holding on 31 December 2021	% of votes
Eiendomsspar Sverige AB	36.6
Christian Sundt AB	18.1
Helene Sundt AB	18.2

Financial targets

Pandox has a dividend target and a capital structure target.

Dividend: Pandox's target is a dividend pay-out ratio of between 30 and 50 percent of cash earnings¹⁾, with an average pay-out ratio over time of around 40 percent.

Dividend pay-out ratio of cash earnings, %

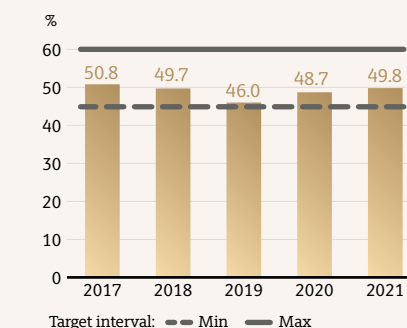


Outcome: No dividend is proposed for 2021. Future dividend pay-out and the size of such dividends depend on Pandox's future performance, financial position, cash flows, working capital requirements, investment plans and other factors.

¹⁾ Defined as EBITDA plus financial income less financial expense less current tax.

Capital structure: A reported loan-to-value ratio²⁾ of between 45 and 60 percent, depending on market development and the opportunities that exist.

Net loan-to-value ratio, %



Outcome: At year-end 2021 the reported loan-to-value ratio was 49.8 (48.7) percent.

²⁾ Defined as interest-bearing liabilities less cash and cash equivalents as a percentage of the market value of the properties at the end of the period.

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ASSET MANAGEMENT
Capital structure

Pandox's target is a loan-to-value ratio of between 45 and 60 percent, depending on market development and the opportunities that exist.

This key ratio is defined as interest-bearing liabilities divided by the sum of the market value of investment properties and operating properties.

👉 See also key ratios on page 134.

Dividend

The Board of Directors proposes that no dividend be paid out for the 2021 financial year. Pandox's target is a dividend pay-out ratio of between 30 and 50 percent of cash earnings, with an average pay-out ratio over time of around 40 percent. Cash earnings is defined as EBITDA plus financial income, less financial expense and current tax. Future dividend pay-out and the size of such dividends depend mainly on Pandox's future performance, financial position, cash flows and working capital requirements.

Debt management

Pandox seeks to achieve the lowest possible financing costs while simultaneously limiting interest rate, currency and borrowing risks.

Pandox's Financial Policy describes in more detail how financial risks are to be managed.

👉 For more information, see Note G2.

RISKS AND UNCERTAINTIES
Summary of the impact of Covid-19 on Pandox
Property Management business segment

Pandox is monitoring and evaluating the business climate on an ongoing basis and is in close dialogue with tenants in the Property Management business segment regarding their respective situations. Contractual guaranteed minimum rents plus contractual fixed rents amount to just over MSEK 1,900 on an annual basis. Agreements on temporary changes to payment terms are made with tenants where this is possible and appropriate. No

discounts on hotel rents have been granted. As of 31 December 2021, rent receivables relating to deferred rent under the new temporary payment terms amounted to the equivalent of MSEK 590 (439). Pandox received government grants in Sweden, Finland, Denmark and Norway totalling the equivalent of MSEK 26 (35) for full-year 2021. These have been recognised as revenue under "Other property revenue".

Operator Activities business segment

Pandox benefitted from relief programmes within Operator Activities in Belgium, Germany, Canada, the UK and the Netherlands amounting to the equivalent of MSEK 185 (97) for full-year 2021. This is recognised as a decrease in costs under "Costs, Operator Activities". In addition, around MSEK 83 (117) for the full year was transferred directly from authorities to Pandox employees in the form of salary support for furloughed personnel. This is therefore not included in Pandox's reported figures.

Investments

Planned investments in 2022 amount to the equivalent of around MSEK 890.

Hotel property valuation

Investment properties are recognised at fair value and operating properties are recognised at cost less depreciation and any impairment. Pandox carries out valuations of its entire property portfolio every quarter in accordance with its valuation model. The fair value of operating properties is also stated for information purposes since they are included in the EPRA NRV calculations.

Pandox's internal valuation model is a combination of the location price method and the yield-based method. The valuation model is a proven cash flow model in which the value of the hotel properties comprises the future cash flows that the properties are expected to generate discounted by the market's valuation yield.

External valuations of the investment properties are normally carried out annually by independent property appraisers. The

external appraisers complete a detailed inspection and survey of the property at least every three years or in conjunction with major changes to the properties. It is Pandox's lenders who decide, or in certain cases participate in decisions on, which external appraiser to retain, which hotel properties to appraise and when to do it.

The external valuations provide an important reference point for Pandox's internal valuations, to the extent that differences compared with internal valuations are analysed to challenge the internal valuation.

Pandox has taken into account the uncertainties attributable to the Covid-19 pandemic mainly through the cash flow forecasts on which the valuations are based, noting the increased risk of forecasting uncertainty resulting from the pandemic, particularly in respect of the coming 12–18 months.

Since the number of comparable hotel property transactions completed during the pandemic was limited, there is not yet sufficient evidence to be able to assess the market's valuation yield with complete accuracy. The lack of relevant transactions has given rise to a greater degree of estimation and judgment in the market valuation yield as regards market risk and unique hotel property risk.

Pandox considers the Covid-19 pandemic to be transient in nature, based on such factors as:

1. A generally strong recovery in both leisure and business demand once restrictions are eased
2. In 2021 some of Pandox's domestic hotel markets periodically performed at the same or a higher level than in the corresponding period in 2019
3. Pandox's main exposure is to hotel markets with primarily domestic demand that have been more resilient in the face of increased restrictions and have seen faster and stronger recovery when restrictions have been eased
4. Relief from banks and otherwise open credit and stock markets
5. Government relief programmes for tenants enabling continued payment of rent

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Pandox has carried out a detailed analysis of the view of the hotel market that has been applied by external appraisers and is reflected in external appraisals, and has taken this into consideration. Pandox has also analysed an extensive volume of external and internal market data to understand how the hotel market is changing and developing. Since the various countries and external appraisers do not use the same appraisal methodology, and since most of the transaction data relates to the years prior to the Covid-19 pandemic, Pandox has judged the 2019 valuation yield to be the fairest estimate. Where the circumstances of individual hotel properties have changed significantly, adjustments have been made as part of Pandox's normal valuation process.

Pandox's management of the complexity and necessary assessments in view of the Covid-19 pandemic has been discussed and analysed internally within the Company and by Pandox's Audit Committee, Finance Committee and the Board of Directors on an ongoing basis.

Uncertainty has diminished

Pandox's overall assessment is that the uncertainty surrounding the effects of the Covid-19 pandemic on future cash flows and valuation yields diminished in 2021.

There is still some uncertainty about the long-term lasting effects of Covid-19 on the hotel market, but underlying hotel demand is assessed to be strong.

The differences between internal and external valuations gradually decreased in 2021 as new external appraisals were carried out. A total of 98 percent of the hotel properties have been subject to external valuation over the past 12 months and the outcomes are overall 1 percent lower than Pandox's internal valuations, ranging from around +8 percent to around -12 percent per country/region. The negative deviation is mainly explained by external valuations that were performed in the UK and Ireland during the period of the pandemic when uncertainty was at its highest (December 2020/January 2021). Since then there has been strong recovery in these hotel markets, but this is not yet reflected in the external valuations. The positive deviation relates mainly to the Nordics. Even in a normal market situation

there will be some differences between the outcomes of internal and external valuations.

🔗 *For more information, see Note E1.*

Financing

Pandox has a strong financial position. As of 31 December 2021 the net loan-to-value ratio was 49.8 percent and cash and cash equivalents plus unutilised credit facilities amounted to MSEK 3,576. Pandox's debt financing consists exclusively of credit facilities from 11 Nordic and international banks secured mainly by mortgage collateral. Short-term credit facilities with a term of less than one year amount to MSEK 5,891, of which MSEK 4,693 matures in the fourth quarter of 2022. Pandox's refinancing transactions during the year amounted to the equivalent of around MSEK 5,135.

At the Group level, Pandox's financial covenants are:

1. Loan-to-value ratio at a level where Pandox's financial target for loan-to-value provides comfortable headroom.
2. Interest coverage ratio at a level where satisfactory headroom is provided by revenue from contractual minimum rents and fixed rents alone.

Pandox has a positive and close dialogue with its lenders on refinancing and adjustment of terms and covenants in existing credit agreements taking Covid-19 into account. In 2021 lenders provided waivers in individual credit agreements.

🔗 *For more information, see Note G2.*

Tax actions

To manage the financial impact of Covid-19 on Pandox certain tax actions have been taken, such as corrections to preliminary tax payments and the deferral of VAT payments and property tax. For example, tax payments mainly relating to VAT for 2020 and for the first nine months of 2021, equivalent to around MSEK 28, have been deferred. The full deferred amount is expected to be paid in the first quarter of 2022. Pandox is continually monitoring all new tax incentives that are offered in the jurisdictions where the Company operates and will act when it is deemed appropriate to do so.

General risks and uncertainties

Risks and uncertainties that impact Pandox's earnings and cash flow from operating activities are mainly related to changes in rental income in Property Management and changes in revenue and costs in Operator Activities.

The primary operating risks are a weaker hotel market as a result of factors such as a pandemic, an economic downturn or increased hotel supply. Hotel-specific risks include, for example, operators losing market share or otherwise underperforming, with a subsequent negative impact on Pandox's revenue based rental income. In Operator Activities Pandox is also fully exposed to the hotel operations, and therefore lower productivity or disadvantageous changes in costs, for example, have a negative impact on earnings.

Rental income in Property Management is largely linked to the hotels' revenue and normally includes a contractual minimum rent, making it possible to have increased income in an improved market as well as downside protection in a weaker market. In some cases, however, the minimum rent is at a significantly lower level than the relevant revenue-based rent. Also, it is the hotel operator that has operational responsibility and thereby has the greatest ability to impact the hotel's results. The division of maintenance costs and investments between the tenant and the hotel property owner distinguishes hotel properties from other real estate because the tenant bears a greater responsibility.

Within the Operator Activities business segment Pandox has operational and investment responsibility, and is thereby fully exposed with respect to operations and profits.

Pandox has a substantial loan portfolio and interest expense is the Company's largest expense item. Pandox is exposed to changes in interest levels as a result of changed market interest rates and/or interest rate margins from Pandox's lenders. Refinancing risk is the risk of not being able to obtain or renew financing when a loan matures, or being forced to borrow at a significantly higher cost. Liquidity risk is the risk that Pandox will not have sufficient funds to meet its payment obligations at any point in time.

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TAX SITUATION

At the end of the year deferred tax assets amounted to MSEK 249 (631). This consists mainly of the carrying amount of tax loss carryforwards which the Company expects to be able to utilise in future financial years, and temporary measurement differences for interest rate derivatives.

Deferred tax liabilities amounted to MSEK 4,281 (4,307) and relate mainly to temporary differences between the fair value and taxable value of investment properties, as well as temporary differences between the carrying amount and the taxable value of operating properties.

ONGOING DISPUTES

Due to Covid-19 the tenant at Park Centraal Amsterdam has filed a lawsuit against a Pandox subsidiary demanding certain temporary adjustments in existing leases, mainly with respect to minimum rent levels. Court proceedings are ongoing and, although Pandox has lost in the court of first instance, the outcome is not expected to have a material effect on the Group's earnings. Pandox has appealed the decision.

A Pandox subsidiary has filed a lawsuit against Köln Bonn Airport which has not granted an extension of a hereditary building right (HBR) for the 177-room Leonardo Hotel Köln Bonn Airport property. The case is ongoing and Pandox believes that there is a good possibility of a favourable decision, or compensation, for the company. No rental income was recognised in 2021.

As Pandox previously communicated, it has received a decision from the Swedish Tax Agency on the Group's transfer pricing. Pandox has appealed the decision to the Supreme Administrative Court. Pandox is maintaining its position that the Company has followed the law. Pandox's transfer pricing does not differ from industry practice. However, the Swedish Tax Agency is of the opinion that profits are to be allocated not to the country where the properties are located and the operations are conducted, but to the country of the parent company – i.e. Sweden. Pandox maintains that the Group's companies are following and have followed applicable laws on transfer pricing and taxation in the countries where the Group's companies op-

erate. Pandox has been granted an extension of payment by the Swedish Tax Agency due to the uncertainty about the outcome of the case. Pandox believes that there is a good possibility that a higher court will rule in favour of the Company. Oral proceedings were held at the Supreme Administrative Court on 26 January 2022. The Administrative Court in Stockholm has on the 28 February 2022 announced its ruling and have supported Pandox AB (publ) claim which eliminates the tax increase decided by Swedish Tax Authority's in 2019.

Dorint Parkhotel Bad Neuenahr has been closed since July 2021 due to extensive damage caused by flooding. The hotel property was fully insured for property damage, and consequential loss insurance covers rental income while the property is being restored.

The former tenant of Maritim Hotel Nürnberg is asserting a right to reduced rent for the period 2020–2021. Court proceedings are ongoing.

WORK OF THE BOARD OF DIRECTORS

A statement by the Chair can be found on page 180. A corporate governance statement has been prepared and describes, among other things, the work of the Board of Directors.

➤ See pages 181–190.

EMPLOYEES

On 31 December 2021 Pandox had 675 (634) full-time employees, based on the number of hours worked converted into full-time equivalents. The number of employees in the Operator Activities business segment is 626 (587). There are 49 (47) employees in the Property Management business segment and in central administration. The average number of employees was 554 (841), of which 278 (429) are men and 276 (412) are women.

EMPLOYEES AND SUSTAINABILITY

Pandox's sustainability work aims to promote sustainable properties and operations, and to create new business opportunities. To achieve this, Pandox makes every effort to be one of the most attractive employers in the hotel property industry. In 2021 Pandox conducted new dialogue with stakeholders and used

this to update the Company's materiality analysis. The analysis provides an overview of significant sustainability topics, which have been split into five focus areas. These are:

- 1) Environment and climate
- 2) Responsible and fair business
- 3) Guest satisfaction and security
- 4) Attractive and equal workplace; this area focuses entirely on the Company's employees
- 5) Inclusive local communities

Prioritised activities during the year included Pandox's green investment programme, which aims to reduce the Company's climate impact. The programme covers 12 hotels and continues until the end of 2023. In addition, preparations are currently being made for a second green investment programme that will include a further six hotels operated by Pandox. The programme includes BREEAM In-Use certification of the hotel properties at the Very Good level. During the year two of Pandox's hotels were certified, which means that five of the 12 hotels are now certified and a further seven properties are waiting to be certified. Pandox has also performed analysis and worked to get taxonomy reporting in place so that it can report the percentage covered by the reporting. Suppliers within Property Management that were identified as being high risk have also been monitored and Pandox has expanded its auditing to include further suppliers at the Group level. Of these, 144 were audited during the year.

Gender equality is a prioritised area for Pandox and it is a requirement that both genders are represented in the recruitment process for senior roles. The percentage of women in Pandox's executive management increased to 40 (30) percent during the year. A survey carried out during the year on inclusion and gender equality within Pandox's own operations showed that Pandox has a culture in which an overwhelming majority feel that the environment is respectful and inclusive, but that cases of discrimination can occur. Training on this matter will therefore be implemented at a local level.

➤ A sustainability report has been prepared and can be found on pages 36–86.

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GUIDELINES FOR REMUNERATION AND OTHER EMPLOYMENT TERMS FOR THE EXECUTIVE MANAGEMENT TEAM

Guidelines for remuneration of the Company's board members and senior executives were approved at the 2020 Annual General Meeting and apply until new guidelines are adopted by a shareholders' meeting. The Board is to prepare proposals for new guidelines at least once every four years for adoption by the shareholders' meeting. Note C7 contains the most recently adopted guidelines for remuneration.

EXPECTATIONS REGARDING FUTURE DEVELOPMENT

The most important drivers of cash earnings for Pandox are the growth of the hotel market, acquisitions and the organic growth the Company generates itself through cash flow-driving investments in the existing portfolio.

APPROPRIATION OF PROFIT

At the disposal of the Annual General Meeting:

Retained earnings	8,132,946,857
Profit for the year	887,621,017
SEK	9,020,567,874

The Board proposes that the earnings be allocated as follows:

Carried forward	9,020,567,874
SEK	9,020,567,874

EVENTS AFTER THE CLOSING DAY

The Administrative Court in Stockholm has on the 28 February 2022 announced its ruling and have supported Pandox AB (publ) claim in the company's dispute with the Swedish Tax Agency. The ruling eliminates the tax increase decided by Swedish Tax Authority's in 2019.

No events or transactions of significance have taken place since 31 December 2021 that affect the financial statements provided for the Pandox Group for the 2021 financial year.

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MSEK	Note	2021	2020
Revenue, Property Management			
Rental income	C1, C2, E1	2,279	2,228
Other property revenue	C1, C2, E1	143	171
Revenue, Operator Activities	C1	851	779
● Net sales		3,273	3,178
Costs, Property Management	C1, C4, C6, C7, G5	-395	-381
Costs, Operator Activities	C1, C5, C6, C7, G5	-1,151	-1,182
● Gross profit		1,727	1,615
– of which gross profit, Property Management	C1	2,027	2,018
– of which gross profit, Operator Activities	C1	-300	-403
● Central administration	C1, C3, C6, C7	-157	-171
● Financial income	C1, G1	4	2
● Financial expense	C1, G1	-944	-902
Financial expense for right-of-use assets	G1, G5	-88	-86
Profit before changes in value		542	458
● Changes in value			
Properties, unrealised	C1, E1	-368	-1,779
Properties, realised	C1, E1	-28	0
Derivatives, unrealised	C1, G2	740	-221
Profit before tax		886	-1,542
● Current tax	C1, D1	-128	-57
● Deferred tax	C1, D1	-149	191
● Profit for the year		609	-1,408
Other comprehensive income			
<i>Items that may not be reclassified to profit or loss, net after tax ¹⁾</i>			
Remeasurement for the year of property, plant and equipment		18	-
<i>Items that may be reclassified to profit or loss, net after tax ²⁾</i>			
Hedging of net investment in foreign operations		-43	86
Translation differences, foreign operations		765	-1,096
● Other comprehensive income for the year		740	-1,010
Comprehensive income for the year		1,349	-2,418

● See comments on next page.

MSEK	Note	2021	2020
Profit for the year attributable to owners of the parent		610	-1,399
Profit for the year attributable to non-controlling interests		-1	-9
Comprehensive income for the year attributable to owners of the parent		1,337	-2,379
Comprehensive income for the year attributable to non-controlling interests		12	-39
Per share data	G4		
Weighted average number of shares		183,499,999	183,849,999
Earnings per share after tax, before and after dilution, SEK		3.32	-7.61

¹⁾ Change in fair value due to reclassification of hotel properties from Operator Activities to Property Management.

²⁾ In 2021 there was a redistribution between hedging of net investments and translation differences, which does not affect Other comprehensive income. Comparative figures have been restated.

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Consolidated comprehensive income

Net sales

Revenue from Property Management amounted to MSEK 2,422 (2,399), an increase of 1 percent. Revenue includes one-time revenue in the form of government grants equivalent to MSEK 26. For comparable units revenue increased by 6 percent, adjusted for currency effects. A weak first six months caused by restrictions was followed by a significantly stronger second half of the year, driven by a clear improvement in demand. The recovery is explained by high economic activity, eased restrictions and pent-up demand for travel in all segments.

Revenue from Operator Activities amounted to MSEK 851 (779), an increase of 9 percent. For comparable units, revenue increased by 12 percent and RevPAR by 22 percent, adjusted for currency effects. The revenue increase is explained by a strong recovery in the second half of 2021, mainly due to an increase in business travel.

The Group's net sales amounted to MSEK 3,273 (3,178). For comparable units, net sales increased by 7 percent adjusted for currency effects.

Net operating income

Net operating income from Property Management amounted to MSEK 2,027 (2,018). For comparable units, net operating income increased by 5 percent, adjusted for currency effects.

Net operating income from Operator Activities amounted to MSEK -22 (-168). Pandox received government grants during the period equivalent to a total of around MSEK 185 within Operator Activities. In addition, around MSEK 83 was transferred directly from authorities to Pandox employees in the form of salary support for furloughed personnel. These are therefore not included in Pandox's reported figures. Total net operating income amounted to MSEK 2,005 (1,850).

📄 *Details of Operator Activities' costs can be found in Note C5.*

Central administration

Central administration costs amounted to MSEK -157 (-171), of which MSEK -20 (-20) in depreciation. These include costs for corporate governance, administrative personnel, IT and office rents.

Financial income and expense

Financial expense amounted to MSEK -944 (-902), of which MSEK -77 (-72) consists of depreciation of capitalised loan arrangement fees. Financial income amounted to MSEK 4 (2). Financial expense associated with right-of-use assets amounted to MSEK -88 (-86).

Changes in value

Unrealised changes in value for investment properties amounted to MSEK -368 (-1,779), mainly explained by lower cash flows. Realised changes in value for investment properties amounted to MSEK -18 (0). Unrealised changes in the value of derivatives amounted to MSEK 740 (-221), mainly explained by changed long-term market interest rates.

Current and deferred tax

Current tax amounted to MSEK -128 (-57), mainly explained by higher revenue in countries with limited opportunities for intra-Group eliminations and differences between booked and final tax amounts for 2020. Deferred tax amounted to MSEK -149 (191).

Profit for the year

Profit for the period amounted to MSEK 609 (-1,408) and profit for the period attributable to owners of the parent amounted to MSEK 610 (-1,399), which is equivalent to SEK 3.32 (-7.61) per share.

Other comprehensive income for the year

Other comprehensive income for the year includes translation differences for foreign operations and remeasurement for the year of property, plant and equipment and related hedging of net assets.



Holiday Inn Brussels Airport

When the Covid-19 pandemic struck, at Holiday Inn Brussels Airport they decided to turn the crisis into an opportunity. With the hotel empty, major much-needed renovations were carried out in all rooms and public areas so that the hotel was in peak condition for when guests returned.

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MSEK	Note	31 Dec 2021	31 Dec 2020
ASSETS			
Non-current assets			
● Operating properties	E3	7,450	6,872
Equipment/interiors	E2	581	502
● Investment properties	E1	52,215	50,181
Deferred non-current rent receivables attributable to temporary payment terms	E4	233	189
Right-of-use assets	G5	3,039	2,926
● Deferred tax assets	D1	249	631
Derivatives ¹⁾	G2, G3	203	43
Other non-current receivables	E5, G3	86	36
Total non-current assets		64,056	61,380
Current assets			
Inventories		12	9
Current tax assets	D1	64	95
● Trade accounts receivable	E4, G3	269	180
Deferred current rent receivables attributable to new temporary payment terms	E4	357	250
Prepaid expenses and accrued income	E6	296	110
Other receivables		154	169
● Cash and cash equivalents		1,593	2,622
Total current assets		2,745	3,435
TOTAL ASSETS		66,801	64,815

MSEK	Note	31 Dec 2021	31 Dec 2020
EQUITY AND LIABILITIES			
Equity			
	G4		
Share capital		460	460
Other paid-in capital		7,525	7,525
Reserves		13	-714
Retained earnings including net profit for the year		17,215	16,609
Total equity attributable to the owners of the parent		25,213	23,880
Non-controlling interests		209	208
Total equity		25,422	24,088
Liabilities			
Non-current liabilities			
● Non-current interest-bearing liabilities ²⁾³⁾	G2, G3	27,205	26,034
Other non-current liabilities		4	5
Non-current lease liabilities	G5	3,020	2,901
● Derivatives ¹⁾	G2, G3	261	841
● Provisions	F2	36	32
● Deferred tax liabilities	D1	4,281	4,307
Total non-current liabilities		34,807	34,120
Current liabilities			
Provisions	F2	60	139
● Current interest-bearing liabilities ²⁾³⁾	G2, G3	5,418	5,418
Current lease liabilities	G5	22	27
Tax liabilities	D1	156	118
Trade accounts payable	G3	214	179
● Other current liabilities		150	265
Accrued expenses and deferred income	F1	552	461
Total current liabilities		6,572	6,607
Total liabilities		41,379	40,727
TOTAL EQUITY AND LIABILITIES		66,801	64,815

¹⁾ The fair value measurement for derivatives belongs to Level 2 in the fair value hierarchy in IFRS, i.e. it is based on inputs that are observable, either directly or indirectly.

²⁾ The carrying amounts of interest-bearing liabilities and other financial instruments constitute a reasonable approximation of their fair values.

³⁾ Arrangement fees of MSEK 129 (177) have reduced interest-bearing liabilities.

● See comments on next page.

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NON-CURRENT ASSETS

Operating properties

The 20 (20) properties within the Operator Activities segment are classified as operating properties and are reported at cost less depreciation and impairment losses. The carrying amount including equipment/interiors amounted to MSEK 8,015 (7,363). During the year one hotel property was reclassified from Property Management to Operator Activities and one was reclassified from Operator Activities to Property Management.

Investment properties

The number of investment properties at the end of the year was 137 (136). They are reported at fair value (market value) and amounted to MSEK 52,215 (50,181). During the year one property in Scotland was acquired. In addition, one hotel property was reclassified from Property Management to Operator Activities and one was reclassified from Operator Activities to Property Management.

Unrealised changes in the value of investment properties for the year amounted to MSEK -368 (-1,779).

Investments

Total investments in the existing portfolio during the year, excluding acquisitions, amounted to MSEK 990 (907), of which MSEK 563 (492) was in investment properties, MSEK 419 (406) was in operating properties and MSEK 8 (9) related to the head office.

Right-of-use assets

Pandox is applying IFRS 16 from 1 January 2019. Right-of-use assets amounted to MSEK 3,039 (2,926).

Deferred tax assets

At the end of the period deferred tax assets amounted to MSEK 249 (631). This consists mainly of the carrying amount of tax loss carryforwards which the Company expects to be able to utilise in future financial years, and temporary measurement differences for interest rate derivatives.

🔗 See Note D1.

CURRENT ASSETS

Trade accounts receivable

Pandox's trade accounts receivable consist of rent receivables within Property Management and trade accounts receivable in the Operator Activities segment. On 31 December 2021 rent receivables attributable to temporary payment terms totalled the equivalent of MSEK 590 (439). No hotel rent reductions have been granted.

🔗 See Note E4.

Cash and cash equivalents

Pandox's cash and cash equivalents of MSEK 1,593 (2,622) are mainly managed by the Parent Company through a central accounts structure at a bank, with cash being deposited in a joint interest-bearing account. Any surplus may over time be deposited in a time deposit account at the bank. Pandox has unutilised credit facilities totalling MSEK 1,983 (2,599).

EQUITY AND LIABILITIES

Financial position and net asset value

At the end of the period the loan-to-value ratio was 49.8 (48.7) percent. Equity attributable to owners of the parent amounted to MSEK 25,213 (23,880) and net asset value (NRV) as defined by EPRA was MSEK 31,905 (30,813). EPRA NRV per share was SEK 173.54 (167.60).

NON-CURRENT LIABILITIES

Interest-bearing liabilities

At the end of the period the loan portfolio, excluding loan arrangement fees, amounted to MSEK 32,752 (31,629). The average fixed interest period was 3.3 (2.8) years and the average interest rate, corresponding to the interest rate level at the end of the period, was 2.5 (2.6) percent, including effects of interest rate derivatives but excluding arrangement fees. The average repayment period was 2.2 (2.8) years. The loans are secured by a combination of mortgage collateral and pledged shares.

Lease liabilities

Lease liabilities totalled MSEK 3,042 (2,928), of which MSEK 22 (27) relates to current liabilities.

Derivatives

To manage interest rate risk and increase the predictability of Pandox's earnings, interest rate derivatives are used, mainly in the form of interest rate swaps. At the end of the period Pandox had interest rate derivatives totalling a gross amount of MSEK 27,343 and a net amount of MSEK 22,318, which is also the portion of Pandox's loan portfolio for which interest rates are hedged. Around 64 percent net of Pandox's loan portfolio was thereby hedged against interest rate movements for periods longer than one year. The market value of the derivatives portfolio is measured on each closing date, with the change in value recognised in profit or loss. Upon maturing, the market value of a derivative contract is dissolved entirely and the change in value over time thus does not affect equity. At the end of the period, the net market value of Pandox's financial derivatives amounted to MSEK -58 (-798).

Provisions

Provisions of MSEK 96 (171) consist mainly of pensions and incentive schemes.

Deferred tax liabilities

Deferred tax liabilities amounted to MSEK 4,281 (4,307) and relate mainly to temporary differences between the carrying amount and taxable value of operating properties.

🔗 See Note D1.

CURRENT LIABILITIES

Interest-bearing liabilities

The portion of the debt that matures within one year.

Other current liabilities

Liabilities include prepaid rent, accrued interest expense and trade accounts payable.

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MSEK	Attributable to owners of the parent							Total equity
	Share capital	Other paid-in capital	Translation reserve	Revaluation reserve ²⁾	Retained earnings, including profit for the year	Total	Non-controlling interests	
Equity, opening balance, 1 January 2020	460	7,525	89	169	18,107	26,350	156	26,506
Profit for the year	—	—	—	—	-1,399	-1,399	-9	-1,408
Other comprehensive income	—	—	-980	—	—	-980	-30	-1,010
Transfer of non-controlling interests ¹⁾	—	—	8	—	-99	-91	91	—
Equity, closing balance, 31 December 2020	460	7,525	-883	169	16,609	23,880	208	24,088
Equity, opening balance, 1 January 2021	460	7,525	-883	169	16,609	23,880	208	24,088
Profit for the year	—	—	—	—	610	610	-1	609
Other comprehensive income	—	—	709	18	—	727	13	740
Transfer of and transactions with non-controlling interests ¹⁾	—	—	—	—	-4	-4	-11	-15
Equity, closing balance, 31 December 2021	460	7,525	-174	187	17,215	25,213	209	25,422

¹⁾ Transfer from owners of the parent to non-controlling interests and guaranteed dividend to minority interests.

²⁾ Change in fair value due to reclassification of hotel properties from Operator Activities to Property Management.

2020

Shares outstanding at year-end 183,849,999

2021

Shares outstanding at year-end 183,849,999

The share quota value is SEK 2.50.

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MSEK	Note	2021	2020
OPERATING ACTIVITIES			
Profit before tax		886	-1,542
Reversal of depreciation		280	238
Realised changes in value, investment properties		19	—
Unrealised changes in value, investment properties		368	1,779
Unrealised changes in value, derivatives		-740	221
Other items not included in cash flow	I1	63	-38
Taxes paid		-60	-45
Cash flow from operating activities before changes in working capital		816	613
Increase/decrease in operating receivables		-378	-36
Increase/decrease in operating liabilities		-8	-117
Changes in working capital		-386	-153
Cash flow from operating activities		430	460
INVESTING ACTIVITIES			
Investments in investment properties		-563	-492
Investments in operating properties		-330	-348
Investments in equipment/interiors		-97	-67
Acquisition of hotel properties, net effect on liquidity	I1	-482	-689
Acquisition of financial assets		-49	-2
Cash flow from investing activities		-1,521	-1,598
FINANCING ACTIVITIES			
New loans		8,196	9,755
Debt repayment		-8,088	-6,664
Guaranteed dividend, minority interests		-15	-20
Cash flow from financing activities		93	3,071
Cash flow for the year		-998	1,933
Cash and cash equivalents at beginning of year		2,622	632
Exchange rate differences in cash and cash equivalents		-31	57
Cash and cash equivalents at year-end		1,593	2,622

MSEK	Note	2021	2020
Information on interest paid			
Interest received		4	2
Interest paid		-841	-819
Financial expense for right-of-use assets		-88	-86

Comments Consolidated statement of cash flows

Cash flow from operating activities before changes in working capital amounted to MSEK 816 (613). The decrease is mainly due to lower sales revenues.

Changes in working capital amounted to MSEK -386 (-153).

Investing activities affected cash flow in the amount of MSEK -1,521 (-1,598). During the year Pandox took over one investment property in Scotland. This affected cash flow in the amount of MSEK -482 (-689). No properties were divested during the year. Investments in properties and non-current assets amounted to MSEK -990 (-907). Financing activities affected cash flow in the amount of MSEK 93 (3,071). The change is explained by new loans of MSEK 8,196 (9,755) and debt repayment of MSEK -8,088 (-6,664). Dividends paid affected cash flow in the amount of MSEK -15 (-20). Cash flow for the year amounted to MSEK -998 (-1,933). Cash and cash equivalents at year-end amounted to MSEK 1,593 (2,622) and consist of bank balances..

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Parent Company income statement

MSEK	Note	2021	2020
Net sales	B3	148	150
Administrative costs	C3, C7	-209	-219
Operating profit		-61	-69
Other interest expense and similar profit/loss items ¹⁾	G1, B3	523	-383
Derivatives, unrealised		481	-188
Profit after financial items		943	-640
Year-end appropriations		172	1
Profit before tax		1,115	-639
Tax on profit for the year	D1	-1	0
Deferred tax	D1	-226	153
Profit for the year		888	-486

¹⁾ The Company has not presented Other comprehensive income since the Company has no items reported as Other comprehensive income.

Comments

Parent Company financial statements

Administration for activities within Pandox's property-owning companies is provided by staff employed by the Parent Company, Pandox AB (publ). The costs of these services are invoiced to Pandox's subsidiaries. The total amount invoiced in the period January – December 2021 was MSEK 148 (150). Year-end appropriations amount to MSEK 172 (1) and are the net reported amounts of Group contributions paid and received. Profit for the year amounted to MSEK 888 (-486). The positive result compared with 2020 is mainly due to currency effects on internal loans and to derivatives.

Tax on profit for the year is MSEK -1 (0). During the year the Company recognised tax assets for its tax loss carryforwards as well as temporary differences in the value of interest rate derivatives amounting to MSEK 62 (289). See Note D1.

The Parent Company's assets consist mainly of shares and participations in Group companies and receivables from Group companies. Shares and participations in Group companies amount to MSEK 7,482 (7,482). At the end of the period the Parent Company's equity amounted to MSEK 9,490 (8,603). External interest-bearing liabilities amounted to MSEK 8,252 (4,804), of which MSEK 1,476 (3,294) was in the form of non-current interest-bearing liabilities. No dividend is proposed for 2021.

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MSEK	Note	31 Dec 2021	31 Dec 2020
ASSETS			
Non-current assets			
Property, plant and equipment			
Equipment	E2	16	11
Total non-current assets		16	11
Financial non-current assets			
Shares and participations in Group companies	H1	7,482	7,482
Receivables from Group companies	B3	12,500	11,637
Other non-current receivables	E5	25	24
Deferred tax assets	D1	62	289
Total financial non-current assets		20,069	19,432
Total non-current assets		20,085	19,443
Current assets			
Other receivables		2	10
Prepaid expenses and accrued income	E6	7	7
Receivables from Group companies		1,569	848
Cash and bank balances		1	1,756
Total current assets		1,579	2,621
TOTAL ASSETS		21,664	22,064

MSEK	Note	31 Dec 2021	31 Dec 2020
EQUITY AND LIABILITIES			
Equity			
	G4		
Share capital		460	460
Statutory reserve		10	10
Share premium reserve		2,969	2,969
Retained earnings		5,163	5,650
Profit for the year		888	-486
Total equity		9,490	8,603
Provisions			
	F2	91	168
Non-current liabilities			
Non-current interest-bearing liabilities ¹⁾	J2	3,667	3,294
Liabilities, Group companies		1,459	1,895
Derivatives		218	677
Total non-current liabilities		5,344	5,866
Current liabilities			
Current interest-bearing liabilities ¹⁾	J2	4,585	1,510
Trade accounts payable		5	6
Liabilities, Group companies	B3	2,036	5,837
Other current liabilities		2	11
Accrued expenses and deferred income	F1	111	63
Total current liabilities		6,739	7,427
Total liabilities		12,174	13,461
TOTAL EQUITY AND LIABILITIES		21,664	22,064

¹⁾ Arrangement fees of MSEK 10 (18) have reduced interest-bearing liabilities.

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MSEK	Restricted equity		Non-restricted equity			Total equity
	Share capital	Statutory reserve	Share premium reserve	Retained earnings	Profit for the year	
Equity, opening balance, 1 January 2020	460	10	2,969	3,337	2,313	9,089
Appropriation of profit	—	—	—	2,313	-2,313	—
Profit for the year ¹⁾	—	—	—	—	-486	-486
Equity, closing balance, 31 December 2020	460	10	2,969	5,650	-486	8,603
Equity, opening balance, 1 January 2021	460	10	2,969	5,650	-486	8,603
Appropriation of profit	—	—	—	-486	486	—
Profit for the year ¹⁾	—	—	—	—	888	888
Equity, closing balance, 31 December 2021	460	10	2,969	5,164	888	9,490

¹⁾ The Company has not presented Other comprehensive income since the Company has no items reported as Other comprehensive income.

2020

Shares outstanding at year-end 183,849,999

2021

Shares outstanding at year-end 183,849,999

The share quota value is SEK 2.50.

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MSEK	2021	2020
OPERATING ACTIVITIES		
Profit after financial items	943	-640
Reversal of depreciation	3	2
Other items not included in cash flow	-485	189
Taxes paid	-1	0
Cash flow from operating activities before changes in working capital	460	-449
Increase/decrease in operating receivables	10	20
Increase/decrease in operating liabilities	-4,484	1,692
Changes in working capital	-4,474	1,712
Cash flow from operating activities	-4,014	1,263
INVESTING ACTIVITIES		
Changes in shares and participations	—	-90
Investment in equipment	-8	-9
Acquisition of financial assets	-1,738	-4,192
Divestment of financial assets	874	6,700
Cash flow from investing activities	-872	2,409
FINANCING ACTIVITIES		
Group contributions received	242	214
Group contributions provided	-70	-213
New loans	5,893	3,945
Debt repayment	-2,934	-5,946
Cash flow from financing activities	3,131	-2,000
Cash flow for the year	-1,755	1,672
Cash and cash equivalents at beginning of year	1,756	84
Cash and cash equivalents at year-end	1	1,756
Information on interest paid		
Interest received	345	389
Interest paid	-317	-312
Information on cash and cash equivalents at year-end	1	1,756
Cash and cash equivalents consist of bank balances		

A1 Alternative performance measures

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Key figures not defined according to IFRS

A number of the financial descriptions and measures in this annual report provide information about the development and status of financial and per share measurements that are not defined in accordance with the IFRS (International Financial Reporting Standards). The alternative financial performance measures below provide useful supplementary information to investors and management, as they facilitate evaluation of the Company's performance. Since not all companies calculate performance measures in the same manner, these are not always comparable to measures used by other companies. Hence these financial measures should not be seen as a substitute for measures defined according to IFRS. Unless otherwise stated, the table below presents measures which are not defined according to IFRS, along with a reconciliation of these.

🔍 See definitions on page 177.

RECONCILIATION ALTERNATIVE PERFORMANCE MEASURES (MSEK)	2021	2020
Net interest-bearing debt		
Non-current interest bearing liabilities	27,205	26,034
Current interest-bearing liabilities	5,418	5,418
Arrangement fees for loans	129	177
Cash and cash equivalents	-1,593	-2,622
Net interest-bearing debt	31,159	29,007
Loan-to-value ratio, net %		
Net interest-bearing debt	31,159	29,007
Market value, properties	62,596	59,542
Loan-to-value ratio, %	49.8	48.7
Interest coverage ratio, times		
EBITDA	1,868	1,699
Less: Financial expense for right-of-use assets	-88	-86
Net interest expense	831	793
Interest coverage ratio, times	2.14	2.03
Average interest on debt, %		
Average interest expense	812	811
Non-current interest-bearing liabilities	27,205	26,034
Arrangement fees for loans	129	177
Current interest-bearing liabilities	5,418	5,418
Average interest on debt, %	2.5	2.6
See Note G2 for a complete reconciliation		
Investments, incl. Parent Company excl. acquisitions	990	907

1

2

RECONCILIATION ALTERNATIVE PERFORMANCE MEASURES (MSEK)	2021	2020
Net operating income, Property Management		
Rental income	2,279	2,228
Other property revenue	143	171
Costs, excl. property administration	-218	-215
Net operating income, Property Management before property administration	2,204	2,184
Property administration	-177	-166
Net operating income, Property Management	2,027	2,018
Net operating income, Operator Activities		
Revenue, Operator Activities	851	779
Costs, Operator Activities	-1,151	-1,182
Gross profit	-300	-403
Add: Depreciation included in costs	278	235
Net operating income, Operator Activities	-22	-168
EBITDA		
Gross profit from respective business segment	1,727	1,615
Add: Depreciation included in costs, Operator Activities	278	235
Less: Central administration, excluding depreciation	-137	-151
EBITDA	1,868	1,699
Cash earnings		
EBITDA	1,868	1,699
Add: Financial income	4	2
Less: Financial expense	-944	-902
Less: Financial expense for right-of-use assets	-88	-86
Less: Unrealised translation gains on bank balances	0	4
Less: Current tax	-128	-57
Cash earnings	712	660

▶▶ Note A1, cont.

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cont. RECONCILIATION ALTERNATIVE PERFORMANCE MEASURES	2021	2020
EPRA NRV		
Group equity attributable to owners of the parent	25,213	23,880
Add: Revaluation of operating properties	2,365	1,998
Add: Fair value of financial derivatives	58	798
Less: Deferred tax assets related to derivatives	-12	-171
Add: Deferred tax liabilities related to properties	4,281	4,307
EPRA NRV	31,905	30,813
Growth in EPRA NRV, annual rate, %		
EPRA NRV attributable to owners of the parent, opening balance	30,813	34,270
EPRA NRV attributable to owners of the parent, closing balance	31,906	30,813
Growth in EPRA NRV, annual rate, %	3.5	-10.1

RECONCILIATION ALTERNATIVE PERFORMANCE MEASURES PER SHARE ¹⁾	2021	2020
Comprehensive income per share, SEK		
Comprehensive income for the period attributable to owners of the parent, MSEK	1,337	-2,379
Weighted average number of shares before and after dilution	183,849,999	183,849,999
Comprehensive income per share, SEK	7.27	-12.94
Cash earnings per share, SEK		
Cash earnings attributable to owners of the parent, MSEK	713	669
Weighted average number of shares before and after dilution	183,849,999	183,849,999
Cash earnings per share, SEK	3.88	3.64
Net asset value (EPRA NRV) per share, SEK		
EPRA NRV, MSEK	31,905	30,813
Number of shares at year-end	183,849,999	183,849,999
Net asset value (EPRA NRV) per share, SEK	173.54	167.60
Dividend per share, SEK		
Dividend, MSEK	—	—
Number of shares at dividend	183,849,999	183,849,999
Dividend per share, SEK	—	—
Weighted average number of shares before and after dilution	183,849,999	183,849,999
Number of shares at year-end	183,849,999	183,849,999
PROPERTY-RELATED PERFORMANCE MEASURES		
Number of hotels, end of period ²⁾	157	156
Number of rooms, end of period ²⁾	35,372	35,060
WAULT, years	14.0	14.6
Market value properties, MSEK	62,596	59,542
Market value investment properties, MSEK	52,215	50,181
Market value operating properties, MSEK	10,380	9,361
RevPAR (operating properties) for comparable units at comparable exchange rates, SEK	277	227

¹⁾ The total number of shares outstanding after full dilution amounts to 183,849,999, of which 75,000,000 are class A shares and 108,849,999 are class B shares. Calculated on the total number of shares for balance sheet items and the weighted number of shares for income statement items.

²⁾ Pandox-owned hotel properties.

1

EXPLANATIONS
Financial risk

Pandox owns, manages and develops hotel properties and operates hotels. The level of risk-taking is expressed in a loan-to-value ratio of between 45 and 60 percent, depending on market development and the opportunities that exist. In addition to the loan-to-value ratio, other relevant measures of Pandox's financial risk are interest coverage ratio, average interest on debt and interest-bearing net debt.

2

Growth and profitability

Pandox's overall goal is to increase cash flow and property value and thereby have the resources for investments to support the Company's continued expansion. Since Pandox both owns and operates hotel properties, multiple indicators are needed to measure the Company's performance in relation to goals in this regard. Growth in cash earnings is Pandox's primary focus and this is also the basis for the dividend paid annually to the shareholders, i.e. 30–50 percent of cash earnings with an average dividend share of 40 percent over time. Measuring net operating income creates transparency and comparability between the Company's two business segments and with other property companies. EBITDA measures Pandox's total operational profitability in a uniform way.

3

Net asset value (EPRA NRV) and equity

Net asset value (EPRA NRV) is the aggregate capital Pandox manages on behalf of its shareholders. Pandox measures long-term net asset value based on the balance sheet adjusted for items that will not yield any payments in the near future, such as derivatives and tax liabilities. The market value of operating properties is also included in the calculation.

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►► Note A1, cont.

Net asset value expressed as EPRA NRV, EPRA NTA and EPRA NDV

Net asset value is the aggregate capital that the Company manages on behalf of its shareholders. Net asset value can be calculated in various ways, primarily affected by the time horizon and the portfolio's turnover. In general, Pandox has an industrial and long-term investment horizon.

As of 31 December 2021 Pandox is reporting the performance measures EPRA NRV (net reinstatement value), which for Pandox corresponds to the previously reported EPRA NAV, EPRA NTA (net tangible assets) and EPRA NDV (net disposal value). See page 177 for definitions.

EPRA NRV is the long-term net asset value and is based on the balance sheet adjusted for items where there will be no payments made in the near future, such as goodwill, financial derivatives, deferred tax liability and surplus value of operating properties. EPRA NTA is the same as long-term net asset value with the difference that goodwill not attributable to deferred tax is to be added back and that deferred tax can be assigned a market value taking into account how the entity has carried out real estate transactions in recent years. As Pandox has no goodwill and has a long-term investment horizon, in Pandox's case the value of NRV and NTA is the same. EPRA NDV is net asset value according to equity in the balance sheet adjusted for goodwill (Pandox has no goodwill) and surplus value of operating properties.

Net asset value	31 Dec 2021		31 Dec 2020	
	MSEK	SEK/share ¹⁾	MSEK	SEK/share ¹⁾
Equity attributable to owners of the parent	25,213	137.14	23,880	129.89
Add: Revaluation of operating properties	2,365	12.87	1,998	10.87
Add: Fair value of financial derivatives	58	0.32	798	4.34
Less: Deferred tax assets related to derivatives	-12	-0.06	-171	-0.93
Add: Deferred tax liabilities	4,281	23.29	4,307	23.43
Net asset value EPRA NRV, MSEK	31,905	173.54	30,813	167.60
Add back:	—	—	—	—
Net asset value EPRA NTA, MSEK	31,905	173.54	30,813	167.60
Add back: derivatives and deferred tax	-4,327	-23.54	-4,934	-26.84
Net asset value EPRA NDV, MSEK	27,578	150.00	25,878	140.76

¹⁾ Number of shares at end of period.

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B General information and overall accounting principles

B1 OVERALL ACCOUNTING PRINCIPLES

Introduction

The consolidated accounts cover Pandox AB (the Parent Company) and its subsidiaries (the Group). The Parent Company, Pandox AB (publ), is a Swedish company (company reg. no. 556030-7885) and has its registered office in Sweden at Vasagatan 11, SE-111 20 Stockholm. Pandox was formed in 1995 and the Company's class B shares have been listed on Nasdaq Stockholm since 18 June 2015. For disclosures concerning the ownership structure, see "The shares and ownership structure" on page 34. The financial statements as per 31 December 2021 were approved by the Board of Directors and CEO on 7 March for adoption at the Annual General Meeting on 12 April 2022.

The executive management team and the Board of Directors have discussed the development, choice of and disclosures on the Group's important accounting principles and estimates, as well as the application of these.

The accounting principles can be found in the respective note where applicable. For the Parent Company's accounting principles, see Note J1. They are divided up in the following way in the notes:

§ ACCOUNTING PRINCIPLES

Refers to the principles, bases, rules and practices that the Company applies in the preparation and presentation of the Annual Report.

! KEY ESTIMATES AND JUDGMENTS

When preparing financial statements it is necessary to make judgments in the application of accounting principles and estimates with respect to the value of assets, liabilities, revenue and expenses. Estimates and assumptions are based on past experience and other factors deemed relevant and reasonable. Estimates and assumptions are reviewed regularly and compared with the actual outcome.

1. Accounting basis

1.1 Conformity with standards and laws

The consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the EU. The Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups has also been applied.

1.2 Basis for valuation

Investment properties and derivative instruments are recognised at fair value on an ongoing basis. Other assets and liabilities are recognised at historic cost or, where applicable, at amortised cost in the case of non-derivative financial liabilities and financial assets.

1.3 Functional currency and reporting currency

The functional currency of the Parent Company is Swedish kronor (SEK), which is also the reporting currency of the Parent Company and of the Group. The financial statements are therefore presented in Swedish kronor. All figures are in millions of Swedish kronor (MSEK) unless indicated otherwise.

1.4 Classification

Non-current assets and non-current liabilities consist of amounts expected to be recovered or paid after 12 months have passed since the balance sheet date.

1.5 Reporting of acquisitions

The IFRS 3 financial reporting standard states that acquisitions are to be classified as business combinations or asset purchases. In an asset purchase, the transaction is not covered by IFRS 3. An individual assessment of the nature of the acquisition is required for each individual transaction. All of Pandox's acquisitions are classified as asset purchases. Until a final settlement has been drawn up or legal restructuring has been completed, the accounts that consolidate acquired properties, assets and liabilities are prepared based on available information, review and assessment to ensure that Pandox's accounting principles are applied. On final settlement a difference may arise, requiring the acquired property value to be adjusted. In asset purchases, no separate deferred tax is recognised at the time of acquisition; instead the asset is recognised at cost, which corresponds to the fair value of the asset after deducting any discount for non-tax-deductible costs. Transaction expenses are capitalised and added to the acquisition cost.

2. New accounting standards

Changes effective from 2021 have had no material impact on the consolidated financial statements.

On 1 January 2021 Phase 2 of the amendments to IFRS 9 Financial Instruments relating to hedge accounting entered into force. Phase 2 clarifies how the effects on the financial statements resulting from the IBOR reform are to be accounted for, including changes in contractual cash flows or hedging relationships that may arise as a consequence of the Interest Rate Benchmark Reform. The amendments are assessed to have no impact on the consolidated financial statements.

Other published standards and interpretations that are mandatory for the Group in the 2021 financial year are assessed to have no impact on the consolidated financial statements.

3. Foreign currency

3.1 Foreign currency transactions

Foreign currency transactions are translated into the functional currency at the exchange rate in effect on the transaction date. Functional currency is the currency of the primary economic environment where the companies con-

duct their business. Monetary assets and liabilities in foreign currencies are translated to the functional currency at the exchange rate in effect on the closing day. Exchange rate differences that arise on translation are recognised in profit or loss for the year.

3.2 Financial statements of foreign entities

Assets and liabilities of foreign entities and consolidated surpluses and deficits are translated from the foreign entity's functional currency to the Group's reporting currency (Swedish kronor) at the exchange rate in effect on the closing day. Revenue and expenses in a foreign entity are translated to Swedish kronor at an average exchange rate that is an approximation of the exchange rates in effect on each transaction date. Translation differences arising in currency translation of foreign entities and net investments or other financial instruments designated for hedging of such investments are recognised in other comprehensive income and accumulated in a separate component of equity called the translation reserve. When a controlling interest ceases to exist for a foreign entity, the cumulative translation differences relating to the entity are realised, at which point they are reclassified from the translation reserve in equity to profit or loss for the year.

EXCHANGE RATES

The exchange rates used were obtained from the Riksbank (Sweden's central bank), www.riksbank.se.

Currency code	Ultimo 31 Dec 2020	Average Jan-Dec 2021	Ultimo 31 Dec 2021
CAD	6.399600	6.845300	7.063600
CHF	9.254141	9.384473	9.854468
DKK	1.349232	1.364096	1.375262
EUR	10.037500	10.144900	10.226900
GBP	11.087300	11.802200	12.179000
NOK	0.954564	0.998015	1.025408
SEK	1.000000	1.000000	1.000000

4. Consolidation principles

4.1 Controlling interests and the acquisition method

Subsidiaries are companies that are under the direct or indirect control of the Parent Company.

The acquisition method of accounting is used for subsidiaries. With the acquisition method, a subsidiary is regarded as a transaction through which the Group indirectly acquires the subsidiary's assets and assumes its liabilities. The fair value on the date of acquisition of the identifiable assets acquired and liabilities assumed, as well as any non-controlling interests, are established in

►► Note B1, cont.

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an acquisition analysis. Acquisitions made on several occasions which increase ownership of a company are recognised as step acquisitions. Once a controlling interest has been achieved, changes in ownership are recognised as a transfer in equity between owners of the Parent Company and non-controlling interests.

An acquisition of a company can be regarded either as an asset purchase or as a business combination. In an asset purchase, the transaction is not covered by IFRS 3. See also on reporting of acquisitions under section 1.5.

5. Inventories

Inventories are stocks of consumables in the hotel operations. Inventories are measured at cost or net realisable value, whichever is lower. The cost of inventories is calculated using the first-in, first-out (FIFO) method and includes expenditures that have arisen from the acquisition of inventory assets and from bringing them to their present location and condition.

6. Impairment

The assets carried in the Group are tested on each closing date for indications of impairment. IAS 36 is applied for impairment of assets other than financial assets, which are recognised according to IFRS 9. Inventories, deferred tax assets, assets arising in connection with employee benefits (IAS 19) and investment property measured at fair value (IAS 40) are exceptions, the carrying amounts of these being determined according to the respective standard.

6.1 Impairment of property, plant and equipment

If there is an indication of impairment, the recoverable amount of the asset is calculated as described below. If it is not possible to determine the largely independent cash flows for an individual asset, and its fair value less costs to sell cannot be used, the assets are grouped for the purpose of impairment testing at the lowest level at which it is possible to identify largely independent cash flows – a so-called cash-generating unit.

An impairment loss is recognised when an asset's or a cash-generating unit's carrying amount exceeds its recoverable amount. Impairment losses are expensed through profit or loss. The recoverable amount is fair value less costs to sell or value in use – whichever is higher. When calculating value in use, future cash flows are discounted using a discounting factor that takes into account risk-free interest and the risk associated with the specific asset.

6.2 Impairment of financial assets

At each reporting date the Company assesses whether there is objective evidence of impairment of a financial asset or group of assets. Objective evidence consists of an observable circumstance that has arisen and that has a negative impact on the ability to recover the cost of the asset.

The Company reviews which rents are unpaid by the 10th day of the next month.

The Company classifies rent receivables and other receivables as doubtful based on individual assessments in connection with the monthly reviews. For impairment of receivables the simplified model is applied and the loss allowance corresponds to expected credit losses over the remaining term. Receivables where there is indication of impairment are recognised at the present value of expected future cash flows. Receivables close to their due date are not discounted, however.

6.3 Reversal of impairment losses

Impairment losses on assets covered by IAS 36 are reversed if there is both an indication that the impairment loss no longer exists and there has been a change in the assumptions on which the calculation of the recoverable amount was based. An impairment loss is reversed only to the extent that the carrying amount of the asset after the reversal does not exceed the carrying amount that would have been recognised, minus depreciation/amortisation where applicable, if no impairment loss had been recognised.

Impairment losses on loans receivable and trade accounts receivable that are recognised at amortised cost are reversed if the past reason for the impairment loss no longer exists and the corresponding payment is expected to be received from the customer.

B2 EVENTS AFTER THE CLOSING DAY

The Administrative Court in Stockholm has on the 28 February 2022 announced its ruling and have supported Pandox AB (publ) claim in the company's dispute with the Swedish Tax Agency. The ruling eliminates the tax increase decided by Swedish Tax Authority's in 2019.

No events or transactions of significance have taken place since 31 December 2021 that affect the financial statements provided for the Pandox Group for the 2021 financial year.

B3 RELATED PARTY TRANSACTIONS

Related companies are defined as the subsidiaries in the Pandox Group and companies over which related physical persons have a controlling, joint controlling or significant influence. Related persons include board members, senior executives and close family members of these. Pandox AB has three main owners: Eiendomsspar Sverige A/S, Christian Sundt AB and Helen Sundt AB. The Parent Company is a related party of its subsidiaries. Certain dividend restrictions apply in a few of the subsidiaries' credit agreements. Disclosures concerning remuneration to key individuals in senior positions can be found in Note C7. Disclosures concerning subsidiaries can be found in Note H1.

Group-internal transactions are entered into on market terms. The transactions entail allocation of central administration costs and interest relating to financial receivables and liabilities.

Eiendomsspar AS owns 5.1 percent of 22 properties in Germany and 9.9 percent of a further hotel property in Germany. The properties were acquired by Pandox in 2015, 2016 and 2019. Pandox has a management agreement for Pelican Bay Lucaya Resort in the Bahamas, which is owned by affiliates of Helene Sundt AS and CGS Holding AS. During January–December 2021, revenue from Pelican Bay Lucaya amounted to MSEK 0.6 (0.5).

Parent Company

The Parent Company's fees for central administrative services from Group companies during the year amounted to MSEK 148 (150). No other purchases were made between the Parent Company and its Group companies.

TRANSACTIONS BETWEEN THE PARENT COMPANY AND RELATED PARTIES

Parent Company MSEK	31 Dec 2021	31 Dec 2020
Central administration costs	146	150
Interest income from subsidiaries	344	388
Interest paid to subsidiaries	-29	-46
Receivables from related parties	14,069	12,485
Liabilities to related parties	3,495	7,732
Group contributions received	242	214
Group contributions provided	-70	-213

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C Revenue and costs

C1 BUSINESS SEGMENTS

§ ACCOUNTING PRINCIPLES

A business segment is a unit in the Group with operations from which revenue can be generated and costs incurred, and for which independent financial information is available. A business segment's performance is monitored by the Company's chief operating decision-maker (CEO) to evaluate performance and to be able to allocate resources to the business segment. Pandox has two segments: Property Management and Operator Activities. Segment reporting applies the same accounting principles as those used in the annual report in general, and the sum of the segments is equal to the figure for the Group.

Pandox's business segments are Property Management and Operator Activities. The Property Management segment improves and manages properties and provides external customers with premises for hotel operations, as well as other types of premises adjacent to hotel properties. The Operator Activities segment owns hotel properties and operates hotels. The Operator Activities segment also includes one management agreement for an additional externally owned hotel property. Unallocated items are any items that are not attributable to a specific segment or are common to both segments, as well as financial expense attributable to right-of-use assets according to IFRS 16. The segments have been established based on the reporting that takes place internally to executive management on financial outcomes and position. Scandic Hotels Group and Fattal Hotels Group are tenants which, individually, account for more than 10 percent of revenue.

GROUP 2021

Business segments, MSEK	Property Management ³⁾	Operator Activities ³⁾	Group-wide and unallocated items	Total
Revenue, Property Management				
Rental income and other property revenue ¹⁾	2,422	—	—	2,422
Revenue, Operator Activities	—	851	—	851
Net sales	2,422	851	—	3,273
Costs, Property Management	-395	—	—	-395
Costs, Operator Activities ²⁾	—	-1,151	—	-1,151
Gross profit	2,027	-300	—	1,727
Central administration	—	—	-157	-157
Financial income	—	—	4	4
Financial expense	—	—	-944	-944
Financial expense for right-of-use assets	—	—	-88	-88
Profit before changes in value	2,027	-300	-1,185	542
Changes in value				
Properties, unrealised	-368	—	—	-368
Properties, realised	-18	-10	—	-28
Derivatives, unrealised	—	—	740	740
Profit before tax	1,641	-310	-445	886
Current tax	—	—	-128	-128
Deferred tax	—	—	-149	-149
PROFIT FOR THE YEAR	1,641	-310	-722	609

¹⁾ Other revenue refers to government assistance amounting to MSEK 26. For full-year 2021 revenue-based rent in Property Management amounted to MSEK 373.

²⁾ Including depreciation of operating properties in the amount of MSEK 279 and reduced costs due to government assistance of MSEK 185.

³⁾ Management revenue is recognised over time and fixed fees are received in advance. Variable compensation within Property Management is paid on a six-monthly or annual basis, as agreed. In Operator Activities revenue is recognised and payments are received at the time of delivery of the service and/or product.

Geographical market, MSEK	Sweden	Denmark	Norway	Finland	Germany	Belgium	UK Ireland	Other	Total
Net sales									
Property Management	610	105	165	217	623	44	484	174	2,422
Operator Activities	1	44	0	22	212	292	143	138	851
Properties, market value ¹⁾	14,796	3,502	3,309	3,978	15,334	4,499	12,170	5,008	62,596
Investments in properties ²⁾	173	46	35	21	241	292	102	72	982
Acquisition of properties	—	—	—	—	—	—	482	—	482
Realised change in value, properties	-6	-16	0	—	—	—	-6	—	-28
Book value, operating properties	—	340	—	29	2,616	2,679	970	1,380	8,015
Total non-current assets at carrying amount excl. deferred tax	15,599	3,505	3,311	4,671	14,794	3,760	13,185	4,982	63,807

¹⁾ Also includes fair value of operating properties at MSEK 10,380.

²⁾ Includes investments in equipment/interiors of operating properties at MSEK 89.

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GROUP 2020

Business segments, MSEK	Property Management ³⁾	Operator Activities ³⁾	Group-wide and unallocated items	Total
Revenue, Property Management				
Rental income and other property revenue ¹⁾	2,399	—	—	2,399
Revenue, Operator Activities	—	779	—	779
Net sales	2,399	779	—	3,178
Costs, Property Management	-381	—	—	-381
Costs, Operator Activities ²⁾	—	-1,182	—	-1,182
Gross profit	2,018	-403	—	1,615
Central administration	—	—	-171	-171
Financial income	—	—	2	2
Financial expense	—	—	-902	-902
Financial expense for right-of-use assets	—	—	-86	-86
Profit before changes in value	2,018	-403	-1,157	458
Changes in value				
Properties, unrealised	-1,779	—	—	-1,779
Properties, realised	0	—	—	0
Derivatives, unrealised	—	—	-221	-221
Profit before tax	239	-403	-1,378	-1,542
Current tax	—	—	-57	-57
Deferred tax	—	—	191	191
PROFIT FOR THE YEAR	239	-403	-1,244	-1,408

¹⁾ Other revenue refers to government assistance amounting to MSEK 35. For full-year 2020 revenue-based rent in Property Management amounted to MSEK 249.

²⁾ Including depreciation of operating properties in the amount of MSEK 235 and reduced costs due to government assistance of MSEK 97.

³⁾ Management revenue is recognised over time and fixed fees are received in advance. Variable compensation within Property Management is paid on a six-monthly or annual basis, as agreed. In Operator Activities revenue is recognised and payments are received at the time of delivery of the service and/or product.

Geographical market, MSEK	Sweden	Denmark	Norway	Finland	Germany	Belgium	UK Ireland	Other	Total
Net sales									
Property Management	559	123	145	204	664	46	480	178	2,399
Operator Activities	—	9	—	17	214	278	131	130	779
Properties, market value ¹⁾	14,573	3,383	3,036	3,873	15,047	4,136	10,666	4,828	59,542
Investments in properties ²⁾	192	43	36	117	92	240	108	70	898
Acquisition of properties	—	—	—	—	643	—	48	-2	689
Book value, operating properties	—	724	—	26	1,914	2,535	878	1,286	7,363
Total non-current assets at carrying amount excl. deferred tax	15,182	3,406	3,038	4,552	14,455	3,579	11,514	4,834	60,560

¹⁾ Also includes fair value of operating properties at MSEK 9,361.

²⁾ Includes investments in equipment/interiors of operating properties at MSEK 59.

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C2 REVENUE

§ ACCOUNTING PRINCIPLES

Rental income

Rental income from Property Management is recognised on a straight line basis according to the terms and conditions in the leases (rental agreements). Rental income relates to the leased space in hotel operations and other minor rental income from offices and retail outlets.

Other property revenue and government grants

Other property revenue consists mainly of charges for heating, electricity and property tax and is recognised on a straight line basis according to the terms and conditions in the leases (rental agreements).

Government grants within Property Management relate to transition relief recognised as other revenue and are presented within "Other property revenue" in the consolidated income statement. Government assistance is recognised in the same period as the costs it is intended to cover and is not reported in the income statement until it is reasonably certain that the grant will be received.

Revenue from Operator Activities

Revenue from Operator Activities relates to the hotel operations operated under management agreements and franchise agreements as well as hotels operated by Pandox. The revenue comes mainly from accommodation, food and beverages, as well as conference activities. Revenue from Operator Activities is recognised in the period in which the activities are performed.

Revenue from property sales

Revenue from property sales is normally recognised on the occupancy date unless the risks and benefits have been transferred to the purchaser on an earlier occasion. Control of the asset may have been transferred on a date earlier than the occupancy date; in which case, the property sale is recognised as revenue at this earlier date.

Pandox's revenue is attributable to the segments Property Management and Operator Activities.

Revenue from Property Management consists of rental income and a smaller element of other property revenue. Rental income relates to long leases with reputable hotel operators. The leases are generally linked to the hotels' sales of rooms, conference rooms and food and beverages, and usually involve a guaranteed minimum rent – making it possible to have increased income as well as downside protection. Contractual rental income has been translated at the exchange rate on the closing day. Total variable rental income accounts for MSEK 373 (249) of the total rental income of MSEK 2,279 (2,228) in 2021.

The Operator Activities segment generates revenue from hotels that are operated by Pandox itself. In this segment the hotels' revenue from sales of rooms, conference facilities, food and beverages etc. accrues entirely to Pandox. Total revenue from Operator Activities amounts to MSEK 851 (779).

The average remaining lease terms at the end of the financial year amounted to 14.0 (14.6) years for the current portfolio. The maturity structure of the future rental income as of the closing day is presented in the table below. Revenue due more than 12 months after the closing date has been calculated based on the outcome of variable compensation in 2021 and is therefore an estimate.

 GROUP
 RENTAL INCOME, MATURITY STRUCTURE OF CONTRACTUAL RENT

MSEK	2021	2020
Rental income		
Due within one year	3,017	2,975
Due in 1–5 years	12,870	13,015
Due after more than 5 years	26,185	27,312
Total	42,072	43,302

Around two percent of rental income comes from other rents from offices and retail outlets, and other minor rental income. These lease terms are significantly shorter and the rental income is not included in the table above.

 Government grants
Property Management

Pandox received transition relief in government programmes in Norway, Sweden and Denmark totalling an amount equivalent to MSEK 26 (35) in 2021, which was recognised in "Other property revenue".

No government grants are recognised as liabilities, since all fulfilled the conditions for recognition in the income statement. See also accounting principles.

🔗 For comprehensive information on government grants, see the Administration Report and Note C7 concerning government grants within Operator Activities.

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C3 CENTRAL ADMINISTRATION COSTS

Central administration includes costs for central functions such as executive management, business development, finance, the Board of Directors, HR, legal affairs, IT, audit, administration, investor relations, project costs, costs of maintaining the Company's listing, and depreciation of the machinery and equipment belonging to central administration.

REMUNERATION TO AUDITORS

MSEK	Group		Parent Company	
	2021	2020	2021	2020
PwC				
Audit assignments	-11.0	-12.5	-4.5	-3.6
Audit-related services ¹⁾	-1.1	-1.4	-0.5	-1.1
<i>(of which to the auditor for the Parent Company PricewaterhouseCoopers AB)</i>	-0.5	-1.1	—	—
Tax advisory services ¹⁾	-0.2	-0.2	—	—
<i>(of which to the auditor for the Parent Company PricewaterhouseCoopers AB)</i>	—	—	—	—
Other assignments ¹⁾	-0.6	-0.2	-0.4	-0.2
<i>(of which to the auditor for the Parent Company PricewaterhouseCoopers AB)</i>	-0.4	-0.2	—	—
Other auditors				
Audit assignments	-2.0	-1.4	—	—
Audit-related services	-0.2	—	—	—
Tax advisory services	-0.1	-0.2	—	—
Other assignments	—	—	—	—
Total	-15.0	-15.9	-5.4	-4.9

¹⁾ Audit-related services include review of government grants and taxonomic analysis.

C4 COSTS, PROPERTY MANAGEMENT
GROUP

MSEK	2021	2020
Operating costs	-39	-52
Maintenance costs	-47	-44
Property tax	-116	-119
Property administration	-177	-166
Other administration costs	-16	0
Total	-395	-381

Operating costs include costs for electricity, heating, water and janitorial services. Maintenance costs consist of ongoing measures to maintain the standard of the properties and their technical systems. Site leasehold rent must be paid annually to the municipality by owners of buildings on municipal land. As a consequence of IFRS 16, from 2019 onwards site leasehold rent paid is recognised as a financial expense; see also Note G5.

A portion of the operating costs and the property tax is passed on to the tenants. This revenue is recognised under the heading "Other property revenue" in the income statement at MSEK 88 (92). Property administration of MSEK -177 (-166) includes costs of bookkeeping, auditing, legal advice and other administrative costs.

C5 COSTS, OPERATOR ACTIVITIES
GROUP

MSEK	2021	2020
Employee costs ¹⁾	-384	-416
Marketing and sales	-75	-55
Repairs and maintenance	-56	-41
Property tax	-67	-68
Other operating costs	-406	-386
Depreciation	-278	-235
Cost reduction from government grants for fixed costs, local taxes and levies, and other costs ¹⁾	115	19
Total	-1,151	-1,182

¹⁾ Government grants reduced this item by MSEK 185 (97), of which the cost reduction for employee costs is MSEK 70 (78). See also Note C7 for a breakdown of government grants in Operator Activities.

Costs for Operator Activities include costs for employees, administration, marketing, maintenance and operating costs. Maintenance costs consist of ongoing measures to maintain the standard of the properties and their technical systems. Also included is depreciation of operating properties recognised at book value and charged with annual depreciation. The operating properties are reported at cost, which is decreased on an ongoing basis for depreciation.

C6 OPERATING COSTS BY TYPE
GROUP

MSEK	2021	2020
Employee costs ¹⁾	-516	-569
Cost of goods sold	-75	-55
Maintenance	-103	-85
Operation and administration	-649	-603
Property tax	-183	-187
Depreciation	-292	-254
Cost reduction from government grants for fixed costs, local taxes and levies, and other costs ¹⁾	115	19
Total	-1,703	-1,734

¹⁾ Government grants reduced this item by MSEK 185 (97), of which the cost reduction for employee costs is MSEK 70 (78). See also Note C7 for a breakdown of government grants in Operator Activities.

Employee costs excluding government grants include salary costs of MSEK 582 (547). Maintenance costs consist of ongoing measures to maintain the standard of the properties and their technical systems. Also included is depreciation of operating properties recognised at book value and charged with annual depreciation, as well as depreciation of office equipment.

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C7 SALARIES, OTHER REMUNERATION AND PAYROLL OVERHEADS

§ ACCOUNTING PRINCIPLES

Short-term benefits

Short-term benefits to employees are undiscounted and are expensed when the related services are performed. A liability is recognised for the anticipated cost of bonus payments when the Group has a valid legal or constructive obligation to make such payments because services have been performed by employees and the obligations can be reliably calculated.

Defined contribution pension plans

Defined contribution plans are plans for post-employment benefits where a company pays fixed contributions to another company (normally an insurance company) and has no legal or constructive obligation to pay any additional amount, even if the other company does not meet its commitments. The Company's obligations with respect to contributions to defined contribution plans are expensed through profit or loss as they are earned when the employees perform services for the Company over a period of time.

Endowment policies for employees

The Company has defined contribution endowment policies for employees who have a pension premium exceeding 10 price base amounts. Under the Company's pension policy, the portion which exceeds 10 price base amounts is invested in an endowment policy. The premium is defined as a percentage of salary taking into account the employee's salary and age, and the endowment policy is pledged to the employee. Endowment policies are recognised as an estimated liability, with a corresponding asset owned by the Parent Company.

Incentive schemes for employees

Pandox's incentive schemes are reported according to IFRS 2. The schemes give rise to a commitment to the scheme participants that is measured at fair value and recognised as an expense, with a corresponding increase in provisions. Fair value is calculated as of the end of each reporting period. The expense including payroll overheads is distributed and the provision accumulated over the scheme's vesting period.

Government grants

Based on the nature of the business, within Operator Activities Pandox has elected to recognise all government grants net as a cost reduction and these are presented within "Costs, Operator Activities" in the consolidated income statement. Government assistance is recognised in the income statement when it is reasonably certain that the grant will be received.

Salary costs and board fees for the Group and the Parent Company amount to MSEK -505.2 (-553.6) and are presented in the table below.

SALARIES, FEES AND BENEFITS

MSEK	Group		Parent Company	
	2021	2020	2021	2020
Chair of the Board				
Christian Ringnes	-0.9	-0.8	-0.9	-0.8
Other board members				
Leiv Askvig ¹⁾	—	-0.2	—	-0.2
Ann-Sofi Danielsson	-0.5	-0.5	-0.5	-0.5
Jeanette Dyhre Kvisvik	-0.4	-0.4	-0.4	-0.4
Bengt Kjell	-0.8	-0.7	-0.8	-0.7
Jon Rasmus Aurdal	-0.5	-0.5	-0.5	-0.5
Jakob Iqbal ²⁾	-0.5	-0.3	-0.5	-0.3
Chief Executive Officer				
Anders Nissen				
Basic salary	-3.5	-8.4	-3.5	-8.4
Variable remuneration	—	-4.3	—	-4.3
Incentive schemes	—	-7.2	—	-7.2
Lia Nõu				
Basic salary	-2.0	—	-2.0	—
Variable remuneration	-1.2	—	-1.2	—
Incentive schemes	-0.4	—	-0.4	—
Other senior executives				
Basic salary	-18.7	-17.7	-18.7	-17.7
Variable remuneration	-4.8	-5.8	-4.8	-5.8
Other remuneration ³⁾	-6.4	-7.0	-0.6	-1.0
Incentive schemes	-6.1	-14.0	-5.3	-13.0
Other employees				
Incentive schemes	-359.7	-373.9	-30.4	-28.5
Total	-409.0	-445.1	-73.1	-91.9

MSEK	Group		Parent Company	
	2021	2020	2021	2020
Contractual pension costs				
Chief Executive Officer – Anders Nissen	-1.2	-2.9	-1.2	-2.9
Chief Executive Officer – Lia Nõu	-0.7	—	-0.7	—
Other senior executives	-5.3	-6.4	-5.3	-6.4
Other employees	-20.8	-22.5	-5.4	-6.0
Total	-28.0	-31.8	-12.6	-15.3
Payroll overheads including payroll tax				
Chair of the Board	-0.1	-0.1	-0.1	-0.1
Other board members	-0.6	-0.6	-0.6	-0.6
Chief Executive Officer – Anders Nissen	-1.4	-6.9	-1.4	-6.9
Chief Executive Officer – Lia Nõu	-1.3	—	-1.3	—
Other senior executives	-10.6	-13.4	-10.6	-13.4
Other employees	-54.2	-55.7	-10.4	-10.5
Total	-68.2	-76.7	-24.4	-31.5
Total	-505.2	-553.6	-110.1	-138.7

¹⁾ Left the Board at the Annual General Meeting in April 2020.

²⁾ Joined the Board at the Annual General Meeting in April 2020.

³⁾ Remuneration is invoiced by one senior executive.

►► Note C7, cont.

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The Board's proposed guidelines for remuneration of senior executives and board members

Scope

These guidelines cover the Company's board members and executive management team, which includes the Chief Executive Officer and other senior executives. The guidelines are effective for 2020 and are to be applied to contractual remuneration, and to changes that are made to contractual remuneration, after the guidelines were adopted by the 2020 Annual General Meeting. The guidelines do not cover remuneration that is voted on at shareholders' meetings.

Promotion of the Company's business strategy, long-term interests and sustainability

Pandox's vision is to be a world-leading hotel property company. Pandox's strategy is to own large hotel properties in the upper-mid to high-end segment in strategic locations and to lease them to strong hotel operators under long-term revenue-based leases. In situations where conditions are not in place for a profitable lease relationship, Pandox can choose to operate the hotel itself. Pandox is an active owner that moves freely throughout the hotel value chain, which both reduces risk and creates new business opportunities. Through specialisation, business agility and carefully considered diversification in multiple dimensions, Pandox is laying the foundation for the Company's value creation.

Long-term, successful and sustainable implementation of the Company's business strategy requires the Company to be able to recruit and retain qualified employees. To do this, the Company needs to be able to offer competitive remuneration. These guidelines enable senior executives to be offered a competitive remuneration package.

Variable cash remuneration as described in these guidelines must also be aimed at promoting the Company's business strategy and long-term interests, including its sustainability.

Remuneration for senior executives

Forms of remuneration etc.

Remuneration is to be in line with market norms and may consist of the following components: fixed cash salary, short-term variable cash remuneration, cash-based incentive scheme, pension benefits and other benefits. The shareholders' meeting may in addition – and irrespective of these guidelines – decide to offer, for example, share-related/share price-related or performance-based remuneration.

Variable remuneration is maximised at six monthly salaries for the Chief Executive Officer and four monthly salaries for other senior executives. In addition, the Chief Executive Officer and other senior executives may be offered the opportunity to participate in long-term, cash-based incentive schemes and, if such schemes are introduced by the Board and Remuneration Committee, they must be designed in a similar way to Pandox's existing cash-based incentive schemes. If such a scheme is implemented it must also, within

the framework of the scheme, continue to be possible for the participant to receive several annual salaries if the return for the Company's shareholders during the same period has been very good.

Pension benefits for the Chief Executive Officer and other senior executives are to be in the form of defined contribution plans. Pension premiums for the defined contribution pension plans may be up to a maximum of 35 percent of fixed annual cash salary. Variable cash remuneration is to be non-pensionable.

Other benefits may include life insurance, health insurance and a company car. Such benefits are not to constitute a significant portion of the total remuneration.

Additional cash remuneration may be paid in extraordinary circumstances provided that such extraordinary arrangements are for a limited time and only at the individual level. They may be either for the purpose of recruiting or retaining an executive, or as compensation for work over and above the individual's normal duties. Such remuneration must be commercially justified, in proportion to the individual's fixed salary and not be paid out more than once a year per individual. Decisions on such remuneration are to be made by the Board at the suggestion of the Remuneration Committee.

Regarding employment terms that are subject to rules other than those in Sweden, appropriate adjustments may be made to follow mandatory rules or established local practices, while also remaining in line with the overall purpose of these guidelines as far as possible.

Criteria for payment of variable cash remuneration etc.

The variable cash remuneration and remuneration payable under any cash-based incentive scheme are to be linked to predetermined and measurable criteria, which may be financial or non-financial. Fulfilment of criteria to receive short-term, variable cash remuneration must, however, be able to be measured for a period of one year. They may also be based on individualised quantitative and qualitative targets.

The criteria for both short-term and long-term variable cash remuneration are to be designed to promote the Company's business strategy and long-term interests, including its sustainability, for example by being clearly linked to the business strategy or promoting the executive's long-term development.

When the measurement period for meeting the criteria for payment of variable cash remuneration has ended, the extent to which the criteria have been met is to be established. The Remuneration Committee is responsible for making this assessment. With respect to financial targets, the assessment is to be based on the latest financial information published by the Company.

The Board of Directors must have the ability, by law or contractually, and observing any limitations thereby imposed, to reclaim in full or in part any variable remuneration that has been paid out on erroneous grounds.

Fees for board members

The board members' fees for serving on Pandox's Board are decided on by the shareholders' meeting. Board members only have the right to receive fees

that the shareholders' meeting has decided on. Additional remuneration may, however, be payable for services rendered to Pandox by the board members within their respective areas of expertise and outside their board assignment. Such remuneration is to be in line with market norms and set out in a consultant agreement approved by the Board.

Employment terms

Salary and employment terms for employees

In the preparation of the Board's proposals for these remuneration guidelines, the salary and employment terms of the Company's employees have been taken into account by including information on total remuneration, remuneration components and remuneration increases and rates of increase over time as a basis for the Remuneration Committee's and the Board's decision when evaluating whether the guidelines and the limitations they impose are reasonable.

End of employment

If notice is given by the Company, the period of notice for the Chief Executive officer and other senior executives is maximised at between six and 12 months. If notice is given by the senior executive, the period of notice is maximised at six months. If the Company serves the CEO with notice of termination, severance pay of 18 monthly salaries is payable. This may be reduced if the CEO is receiving other income. No other severance pay is payable.

Decision process, changes and deviations, etc.

Decision process to establish, review and implement the guidelines

The Board has established a Remuneration Committee. The Committee's duties include preparing for board decisions on proposed guidelines for remuneration for senior executives. The Board is to prepare proposals for new guidelines at least once every four years and to submit the proposal for a decision by the Annual General Meeting. These guidelines are to apply until new guidelines have been adopted by the shareholders' meeting. The Remuneration Committee is also to monitor and evaluate variable remuneration programmes for the executive management team, the application of guidelines for remuneration for senior executives, and the remuneration structures and levels applied within the Company. The members of the Remuneration Committee are independent of the Company and the executive management team. When the Board addresses and decides on remuneration-related matters, neither the CEO nor other members of the executive management team are to be present if the discussion concerns them.

Deviation from the guidelines

The Board may decide to temporarily deviate entirely or partly from the guidelines if there are special reasons for doing so in an individual case and deviation is necessary to meet the Company's long-term interests, including its sustainability, or to ensure the Company's financial strength. As stated

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above, the Remuneration Committee's duties include preparing for the Board's remuneration decisions, including decisions on deviating from the guidelines..

Employment terms for senior executives

Variable remuneration for the Chief Executive Officer is maximised at five monthly salaries. Variable remuneration for other senior executives is maximised at four monthly salaries. The variable remuneration is based on criteria relating to the Group's results and to targets set for the individual. There are also long-term incentive schemes. Between the Company and the Chief Executive Officer a mutual notice period of six months applies. If employment is terminated by the Company, severance pay amounting to 18 monthly salaries is payable. The severance pay is reduced by other income received. If employment is terminated by the Chief Executive Officer, no severance pay is paid. Between the Company and other senior executives a notice period of six to twelve months applies if employment is terminated by the Company and six months if employment is terminated by the executive. No severance pay is payable to other senior executives. The pension premium for the Chief Executive Officer is to amount to 35 percent of pensionable salary. The pension premiums for other senior executives are based on an established policy whereby the provision varies depending on salary level and age.

Incentive schemes for employees

Pandox has an incentive scheme for senior executives and key individuals.

- The incentive scheme is a continuous, ongoing performance- and cash-based incentive scheme based on predetermined and measurable financial and non-financial criteria.

Parent Company Board of Directors in 2021:

Christian Ringnes, Chair	Ann-Sofi Danielsson
Jakob Iqbal	Jeanette Dyhre Kvisvik
Jon Rasmus Aurdal	
Bengt Kjell	

Senior executives in 2021:

Anders Nissen (CEO until 21 May 2021)	Martin Creydt
Liia Nõu (CEO from 23 August 2021)	Anders Berg
Anneli Lindblom (CFO from 1 December 2021)	Karmen Bergholcs
Lars Häggström	Erik Hvæsser (until 15 December 2021)
Jonas Törner	Caroline Tivéus
Aldert Schaaphok	Erik Möller (from 15 December 2021)

Board of Directors and senior executives in 2021:

Number in the Parent Company: 15, of which 5 women

Number in the Group: 16, of which 5 women

The average number of employees in 2021 amounted to 554 (841) broken down by country and gender as shown below.

Average number of employees	Group		Parent Company	
	2021	2020	2021	2020
Women	276	412	20	20
Men	278	429	21	21
Total	554	841	41	41
Board of Directors				
Women	2	2	2	2
Men	4	4	4	4
Total	6	6	6	6
Senior executives				
Women	3	2	3	2
Men	7	7	6	6
Total	10	9	9	8
Average number of employees by country				
Sweden	41	41	41	41
Belgium	136	245	—	—
Germany	139	211	—	—
Canada	94	156	—	—
Denmark	22	15	—	—
Finland	19	20	—	—
Norway	1	2	—	—
Netherlands	23	22	—	—
United Kingdom	79	129	—	—
Total	554	841	41	41

Government grants
Operator Activities

In 2021 Pandox benefitted from government grants equivalent to around MSEK 267 (214), of which MSEK 185 (97) has been recognised in the income statement as a cost reduction within "Costs, Operator Activities". In total, employee costs in the income statement have been reduced by MSEK 70 (78). For comprehensive information on government grants, see the Administration Report.

See table below for government grants recognised in the income statement. No government grants are recognised as liabilities, since all fulfilled the conditions for recognition in the income statement. See also accounting principles. For comprehensive information on government grants, see the Administration Report.

GOVERNMENT GRANTS RECOGNISED IN THE INCOME STATEMENT

MSEK	Group	
	2021	2020
Operator Activities		
Cost reduction recognised within Costs, Operator Activities	185	97
<i>Of which salary support including payroll overheads</i>	70	78
<i>Of which assistance with fixed costs</i>	110	—
<i>Of which government grants relating to local taxes and levies</i>	3	11
<i>Of which local municipal grants</i>	—	6
<i>Of which other government grants</i>	—	2

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D Tax

D1 TAX

§ ACCOUNTING PRINCIPLES

Income taxes consist of current tax and deferred tax. Income taxes are recognised in profit or loss for the year, except when the underlying transaction is recognised in other comprehensive income or in equity, in which case the accompanying tax effect is also recognised in other comprehensive income or equity.

Current tax is tax to be paid or received for the year in question applying the tax rates that have been enacted or substantively enacted as of the closing day. Current tax also includes adjustment of current tax that is attributable to earlier periods.

Deferred tax is calculated according to the balance sheet method based on temporary differences arising between reported and fiscal values of assets and liabilities. Temporary differences are not taken into account in consolidated goodwill, nor are differences arising on initial recognition of assets and liabilities that are not business combinations and that on the transaction date affect neither recognised nor taxable profit – such as in the case of asset purchases. Also not taken into account are temporary differences attributable to shares in subsidiaries and associated companies that are not expected to be reversed in the foreseeable future. Deferred tax is measured based on how the underlying assets or liabilities are expected to be realised or paid. Deferred tax is calculated applying the tax rates and tax rules that have been enacted or substantively enacted as of the closing day.

Deferred tax assets related to deductible temporary differences and loss carryforwards are only recognised to the extent that it is probable they will be utilised. The value of deferred tax assets is reduced when it is no longer deemed probable that they can be utilised.

When shares in subsidiaries are acquired, the acquisition is classified as either a business combination or an asset purchase. In business combinations, deferred tax is recognised at a nominally applicable undiscounted rate according to the principles above. In asset purchases, no deferred tax is recognised; instead the value of the property is decreased by the amount that, at the time of purchase, related to deductions attributable to deferred tax on the asset. However, deferred tax is recognised on changes in the value of investment properties during the year.

! KEY ESTIMATES AND JUDGMENTS

Pandex has tax loss carryforwards. Pandox has measured the loss carryforwards that, according to the tax rules in effect, will be able to be utilised against future profits. Pandox cannot, however, provide any guarantee that current or new tax rules will not limit the possibility of utilising the loss carryforwards.

TAX IN THE INCOME STATEMENT

MSEK	Group		Parent Company	
	2021	2020	2021	2020
Current tax	-128	-57	-1	0
Deferred tax	-149	191	-226	153
Total	-277	134	-227	153

RECONCILIATION OF EFFECTIVE TAX RATE

MSEK	Group		Parent Company	
	2021	2020	2021	2020
Tax				
Reported profit before tax	886	-1,542	1,115	-639
Income tax assessed based on the tax rate in effect	-183	330	-230	138
Tax relating to previous years	-34	18	—	—
Tax-exempt income	333	307	4	13
Non-deductible expenses	-388	-403	-1	-1
Utilisation of previously unrecognised tax losses	11	18	—	—
Tax loss carryforwards for which no deferred tax asset is recognised	-93	-124	—	—
Recognition of previous unrecognised tax losses	5	56	—	—
Adjustment of temporary differences	11	-94	0	9
Change in tax rate ¹⁾	43	-8	—	-6
Effective tax rate for foreign companies	18	34	—	—
Tax for the year according to the income statement	-277	134	-227	153

¹⁾ With effect from 1 January 2021 the corporate tax rate in Sweden is 20.6 percent for companies with financial years beginning on or after 1 January 2021. The corporate tax rate in the UK will increase from 19 percent to 25 percent with effect from 1 April 2023. The corporate tax rate in the Netherlands increased from 25 percent to 25.8 percent with effect from 1 January 2022.

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GROUP DEFERRED TAX ASSETS

MSEK	Group		Parent Company	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Opening balance, tax loss carryforwards	372	179	143	26
Adjusted opening balance	5	56	0	—
Additional tax loss carryforwards	94	145	—	117
Utilised tax loss carryforwards	-157	-1	-132	—
Reclassification	-168	—	—	—
Translation difference on loss carryforwards outside Sweden	9	-7	—	—
Closing balance	155	372	11	143
Opening balance, interest rate derivatives	165	124	144	105
Adjusted opening balance	-1	2	—	—
Change for the year	-151	39	-99	39
Change in tax rate	—	—	—	—
Translation difference	-1	—	—	—
Closing balance	12	165	45	144
Opening balance, other temporary differences	94	80	2	5
Adjusted opening balance	35	19	—	—
Change for the year	-52	1	4	-3
Translation difference	5	-6	—	—
Closing balance	82	94	6	2
Closing balance, tax assets	249	631	62	289

The Group's accumulated tax losses are estimated at MSEK 2,814 (2,663) as of 31 December 2021. Deferred tax assets have been estimated at MSEK 1,339 (1,288) of the tax loss. Deferred tax assets have not been reported on tax losses of MSEK 1,475 (1,375) where settlement against future taxable profits is considered to be uncertain.

The change in deferred tax assets for the year has been recognised in the income statement, except for translation differences on foreign losses.

GROUP DEFERRED TAX LIABILITIES

MSEK	Investment properties	Operating properties	Untaxed reserves	Other temporary differences	Total
Opening balance, 1 Jan 2020	4,032	415	44	61	4,552
Adjusted opening balance	—	—	—	-23	-23
Change recognised in the income statement	-172	56	6	-1	-111
Currency translation	-86	-19	-2	-4	-111
Closing balance, 31 Dec 2020	3,774	452	48	33	4,307
Opening balance, 1 Jan 2021	3,774	452	48	33	4,307
Adjusted opening balance	—	—	—	-4	-4
Change recognised in the income statement	55	17	17	-5	84
Reclassification	-22	-154	—	—	-176
Currency translation	56	12	1	1	70
Closing balance, 31 Dec 2021	3,863	327	66	25	4,281

Deferred tax liabilities relating to investment properties are temporary differences between fair value and adjusted taxable value. The adjustment represents the difference between the property's recognised cost on the date of acquisition, after deducting any tax discount, and the property's estimated value on the date of acquisition. Deferred tax liabilities relating to operating properties are temporary differences between cost and the taxable value of the properties.

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E1 INVESTMENT PROPERTIES

§ GENERAL ACCOUNTING PRINCIPLES

Investment properties are properties owned for the purpose of obtaining rental income, an appreciation in value or a combination of both. Investment properties include buildings, land, land improvements and property equipment. Properties under construction and undergoing remodelling that are intended for use as investment properties once work is completed are also classified as investment properties.

Investment properties are recognised at fair value in accordance with accounting standard IAS 40. Investment properties are initially recognised at cost, which includes expenses directly attributable to the acquisition, and thereafter at fair value on the closing day. Further expenditures are only added to the carrying amount for investment properties if it is probable that the future economic benefits associated with the expenditure will accrue to the Company and the measure is therefore classed as an asset acquisition.

The valuation was made using Level 3 inputs in the IFRS fair value hierarchy and is based on market value, which is the price most likely to be paid in a sale on the open property market. Level 3 is generally defined as being based on the entity's own estimates and assumptions.

Pandox's valuation model is a combination of the location price method and the yield-based method. The valuation model is a proven cash flow model in which the value of the hotel properties comprises the future cash flows that the properties are expected to generate discounted by the market's valuation yield.

Both unrealised and realised changes in value are recognised in profit or loss for the year. Realised changes in value refers to changes in value for properties divested during the year after taking into account capitalised development costs. Unrealised changes in value refers to other changes in value.

Operating properties that are reclassified as investment properties are recognised at fair value on the date of reclassification.

Valuation

Valuation process

Pandox performs valuations of the hotel properties, with investment properties recognised at fair value. Pandox updates its internal valuations of all investment properties every quarter. It is Pandox's internal valuation that forms the basis of the valuations of the investment properties.

Operating properties are recognised at cost less depreciation and any impairment. Pandox also performs internal valuations of operating properties every quarter. These are reported for information purposes and are included in the EPRA NRV calculations (see Note E3).

The valuation model is a proven cash flow model in which the value of each individual hotel property comprises the present value of the future cash flows that the property is expected to generate. The model calculates the present value of the investment property's net operating income – rent payments received minus payments made in respect of operation, maintenance, property tax, insurance and site leasehold rent – over a forecast period of 10 years, taking into account annual inflation less outstanding approved investments over the same period. The residual value at the end of year 10 is the present value of net operating income over the remaining economic life. A market valuation yield is used for discounting.

Pandox's loan terms usually require an external valuation to be performed annually as a basis for certain covenants in the loan. It is Pandox's lenders who decide, or in certain cases participate in decisions on, which external appraiser to retain, which hotel properties to appraise and when to do it. For financial reporting the external valuations provide an important reference point for Pandox's internal valuations, to the extent that differences compared with internal valuations are analysed to challenge the internal valuation.

A total of 98 percent of the hotel properties have been subject to external valuation over the past 12 months and the outcomes are overall around 1 percent lower than Pandox's internal valuations, ranging from around +8 percent to around –12 percent per country/region. The negative deviation is mainly explained by external valuations that were performed in the UK and Ireland during the period of the Covid-19 pandemic when uncertainty was at its highest (December 2020/January 2021). Since then there has been strong recovery in these hotel markets, but this is not yet reflected in the external valuations. The positive deviation relates mainly to the Nordics. Even in a normal market situation there will be some differences between the outcomes of internal and external valuations.

! KEY ESTIMATES AND JUDGMENTS

Pandox recognises its investment properties at fair value and as of 31 December 2021 has performed internal valuations of all properties consistently according to the model described for the valuation process.

Pandox has long hotel leases with well-established operators. All spaces for hotel purposes are fully leased and the portfolio's low void rate relates to premises external to the hotel operations, which in turn make up a very small proportion of the total portfolio.

Each property's long-term earnings capacity is assessed based on the business plan of the hotel concerned and taking into consideration development in underlying operator activities, market development with a particular focus on the business climate, supply and demand, the contract situation, operating and maintenance issues, and investments aimed at increasing the hotel property's cash flow and return in the long term.

The most important factors for the hotel property's value are the assumptions concerning future real growth and the valuation yield and

are described below. Estimates and judgments affect both the income statement and the balance sheet, as well as disclosures made such as contingent liabilities. Under other assumptions or in other circumstances, actual outcomes may differ from these judgments.

Rental income

Pandox's hotel leases are mainly revenue-based, with or without a contractual minimum rent, which means that the hotel operator's revenue has a direct impact on the level of rental income. In a market with normal demand, more or less all hotel leases with minimum rent levels are to be regarded as variable since the revenue-based rent usually exceeds the contractual minimum level. During the Covid-19 pandemic, however, most hotel leases with a contractual minimum rent were to be regarded as fixed; in other words, they generated no revenue-based rent – or only a small amount – over and above the contractual minimum level.

In the assessment of rental income and the hotel properties' future earnings capacity, the underlying revenues in the operator's (tenant's) business are calculated taking into consideration and analysing:

- the market situation, focusing on supply – for example, new hotels being built or hotels ceasing to operate and being converted for other purposes;
- demand – for example, changes in demand from the leisure/business/conference segments;
- effects on the hotel's occupancy, average room rate and market share among its group of competitors.

Based on the market analysis and hotel-specific factors (for example, recently completed renovations) the hotel's RevPAR is calculated. RevPAR is the product of occupancy and average room rate and is the key measure for assessing the hotel's performance and market position. The RevPAR range for investment properties was SEK 120–970 for full-year 2021 compared with SEK 340–1,450 for the year 2019, which was not affected by the Covid-19 pandemic. The operator's revenue is forecast for each category (hotel rooms, conference rooms, food and beverages etc.) during the forecast period, and the revenue-based rent is applied according to the lease in order thereby to calculate total revenue-based rent. In general, the percentage rents for room revenue amount to 25–40 percent and other revenue to 5–15 percent. Where the estimated revenue-based rent is less than the contractual minimum level, the minimum rent level is used as revenue. Property payments refer to operation, maintenance, property tax, insurance and site leasehold rent.

Valuation yield

The valuation yields that Pandox uses are based on the market's valuation yield; if this is not available, it is derived from sales of comparable hotel properties. In the absence of such information Pandox uses a combination of information on past hotel property transactions and the location

►► Note E1, cont.

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price method, focusing on factors such as the state of the hotel property (technical condition and in terms of product), its location (city, microlocation) and development opportunities (annexes, extensions, suitable areas), as well as the operator's capacity to pay rent, the structure and length of the lease, rent guarantees and financial covenants.

Considerations relating to Covid-19

Pandox has taken into account the uncertainties attributable to the Covid-19 pandemic mainly through the cash flow forecasts on which the valuations are based, noting the increased risk of forecasting uncertainty resulting from the pandemic, particularly in respect of the coming 12–18 months.

Since the number of comparable hotel property transactions completed during the pandemic was limited, there is not yet sufficient evidence to be able to assess the market's valuation yield with complete accuracy. The lack of relevant transactions has given rise to a greater degree of estimation and judgment in the market valuation yield as regards market risk and unique hotel property risk. Pandox has carried out a detailed analysis of the view of the hotel market that has been applied by external appraisers and is reflected in external appraisals, and has taken this into consideration. Pandox has also analysed an extensive volume of external and internal market data to understand how the hotel market is changing and developing. Since the various countries and external appraisers do not use the same appraisal methodology, and since most of the transaction data relates to the years prior to the Covid-19 pandemic, Pandox has judged the 2019 valuation yield to be the fairest estimate. Where the circumstances of individual hotel properties have changed significantly, adjustments have been made as part of Pandox's normal valuation process. Pandox's management of the complexity and necessary assessments in view of the Covid-19 pandemic has been discussed and analysed internally within the Company and by Pandox's Audit Committee, Finance Committee and the Board of Directors on an ongoing basis.

Pandox's overall assessment is that the uncertainty surrounding the effects of the Covid-19 pandemic on future cash flows and valuation yields diminished in 2021.

There is still some uncertainty concerning the long-term effects of Covid-19 on the hotel market, but underlying hotel demand is assessed to be strong.

The tables below show the change for each geographical market:

BY GEOGRAPHICAL MARKET 31 DECEMBER 2021

MSEK	Sweden	Denmark	Norway	Finland	Germany	Belgium	UK Ireland	Other	Total
Opening balance	14,573	2,669	3,035	3,851	11,962	870	9,878	3,343	50,181
Acquisitions	—	—	—	—	—	—	482	—	482
Investments in existing portfolio	173	17	35	16	151	71	64	36	563
Reclassifications	—	428	—	—	-623	—	—	—	-195
Change in value, unrealised	56	-8	13	15	-358	-45	52	-93	-368
Change in value, realised	-6	-12	0	—	—	—	—	—	-18
Change in exchange rates	—	59	225	72	222	16	879	97	1,570
Closing balance	14,796	3,153	3,308	3,954	11,354	912	11,355	3,383	52,215

BY GEOGRAPHICAL MARKET 31 DECEMBER 2020

MSEK	Sweden	Denmark	Norway	Finland	Germany	Belgium	UK Ireland	Other	Total
Opening balance	14,940	3,591	3,455	4,034	12,104	920	11,127	3,526	53,697
Acquisitions	—	—	—	—	645	—	48	—	693
Investments in existing portfolio	192	19	35	113	23	33	54	23	492
Reclassifications	—	-739	—	—	—	—	—	—	-739
Change in value, unrealised	-559	-105	-118	-143	-327	-48	-404	-75	-1,779
Change in value, realised	—	—	—	—	—	0	—	—	0
Change in exchange rates	—	-97	-337	-153	-483	-35	-947	-131	-2,183
Closing balance	14,573	2,669	3,035	3,851	11,962	870	9,878	3,343	50,181

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▶▶ Note E1, cont.

CALCULATION ASSUMPTIONS BY GEOGRAPHICAL AREA IN 2021

	Fair value, MSEK	Valuation yield		Discount rate	
		Range, %	Average, %	Range, %	Average, %
Sweden	14,796	4.2–6.6	5.2	6.2–8.6	7.2
– of which Stockholm	5,627	4.2–5.8	4.9	6.2–7.8	6.9
– of which Gothenburg	2,911	4.3–6.1	4.7	6.3–8.1	6.7
– of which Malmö	1,303	4.9–6.0	5.2	6.9–8.0	7.2
– of which Other Sweden	4,955	5.4–6.6	5.8	7.4–8.6	7.8
Denmark	3,153	4.8–6.2	5.3	6.8–8.2	7.3
Norway	3,308	4.2–8.3	5.6	6.2–10.3	7.6
Finland	3,954	4.4–8.0	5.6	6.4–10.0	7.6
Germany	11,354	4.8–6.4	5.5	6.8–8.4	7.5
Belgium	912	6.0–6.1	6.0	8.0–8.1	8.0
UK, Ireland	11,355	4.9–6.7	5.5	6.9–8.7	7.5
Other	3,383	5.2–6.1	5.6	6.9–7.8	7.3
Total	52,215	4.2–8.3	5.4	6.2–10.3	7.4

CALCULATION ASSUMPTIONS BY GEOGRAPHICAL AREA IN 2020

	Fair value, MSEK	Valuation yield		Discount rate	
		Range, %	Average, %	Range, %	Average, %
Sweden	14,573	4.2–6.6	5.2	6.2–8.6	7.2
– of which Stockholm	5,564	4.2–5.8	4.9	6.2–7.8	6.9
– of which Gothenburg	2,874	4.3–6.1	4.7	6.3–8.1	6.7
– of which Malmö	1,315	4.9–6.0	5.2	6.9–8.0	7.2
– of which Other Sweden	4,820	5.4–6.6	5.8	7.4–8.6	7.8
Denmark	2,669	4.8–6.2	5.2	6.8–8.2	7.2
Norway	3,035	4.2–8.3	5.7	6.2–10.3	7.7
Finland	3,851	4.4–8.0	5.6	6.2–9.8	7.4
Germany	11,962	4.8–6.6	5.6	6.8–8.6	7.6
Belgium	870	6.0–6.1	6.0	8.0–8.1	8.0
UK, Ireland	9,878	4.9–6.7	5.6	6.9–8.7	7.6
Other	3,343	5.2–6.1	5.5	6.7–7.6	7.0
Total	50,181	4.2–8.3	5.4	6.2–10.3	7.4

►► Note E1, cont.

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Sensitivity analysis

The sensitivity analysis below shows how a +/-1 percentage point change in a parameter affects the value of the investment properties in isolation. The sensitivity analysis is to be interpreted with caution, however, since changes in net operating income and valuation yield are often correlated, thereby leading to changes in multiple parameters simultaneously.

SENSITIVITY ANALYSIS - FAIR VALUE

	Change	Effect on value 2021, MSEK	Effect on value 2020, MSEK
Valuation yield	+/-0.5 pp	-4,395/+5,284	-4,222/+5,076
Discount rate	+/-0.5 pp	-3,297/+ 3,773	-3,178/+3,640
Change in exchange rates	+/-1%	+/-374	+/-356
Rental income ¹⁾	+/-1%	+/-427 (602)	+/-409
Net operating income ¹⁾	+/-1%	+/-395 (535)	+/-391

¹⁾ The value relates to the level at the end of 2021 based on 32 revenue-based leases without a contractual minimum level and 16 revenue-based leases (of a total 96) with a contractual minimum level that generated variable rent above the minimum level. In leases with a contractual minimum rent level, revenue-based rent is generated only once cumulative rent exceeds the minimum level. The value in brackets is for 2019, which was unaffected by the Covid-19 pandemic and is an approximation of a normal year.

In revenue-based leases without a minimum rent level the rental income is directly affected by a change in RevPAR. For revenue-based leases with a contractual minimum rent level, variable rent is only paid when the cumulative total rent exceeds the cumulative minimum rent; only then is rental income affected by a change in RevPAR. Fixed rent agreements are normally index-linked on an annual basis.

The sensitivity analysis is based on the simplified assumption that a change in rental income is perpetual. Pandox's position is that rental income in the portfolio as a whole will gradually return to the levels in effect before the Covid-19 pandemic.

EFFECT OF REVPAR CHANGE AS OF 31 DECEMBER 2021:

Investment properties, effect on revenues	Change	Revenue effect, MSEK
RevPAR (assuming a 50/50 split between occupancy and rate) ¹⁾	+/-1%	+/-5 (26)

¹⁾ See Note 1 above.

The hotel properties mainly contain spaces for hotel purposes, which are fully leased (Property Management) or operated by Pandox itself (Operator Activities) and have a vacancy rate of 0 percent. Other spaces in premises, such as retail and office spaces, made up just over 1 percent of the total property space in 2021 and had a vacancy rate of around 8 percent. Overall, therefore, the total vacancy rate for Pandox's property portfolio was around 0.1 percent in 2021.

Significant commitments for investments in hotel properties

As of 31 December 2021 approved investments for ongoing and future projects amounted to around MSEK 1,280, of which MSEK 890 is expected to be completed during 2022. In 2021 total investments and maintenance amounted to around MSEK 982 and MSEK 47 respectively.

Major ongoing and future projects include Hilton Brussels Grand Place, Holiday Inn Brussels Airport, DoubleTree by Hilton Brussels City, Crowne Plaza Antwerp, a hotel property in Nuremberg (formerly Maritim Hotel Nürnberg), Hotel Berlin Berlin, Pullman Stuttgart Fontana, Mercure München Neuperlach, Dorint Parkhotel Bad Neuenahr, Jurys Inn Birmingham, Quality Borås, Scandic Park Stockholm, Comfort Hotel Börsparcken and the green investment programme.

SPECIFICATION OF PROPERTY REVENUE AND RELATED COSTS

MSEK	2021	2020	2019
Hotel rents			
Fixed rent	284	300	112
Revenue-based rent in leases without a contractual minimum level	341	239	600
Minimum rent in leases with a contractual minimum level	1,578	1,633	1,650
Revenue-based rent in leases with a contractual minimum level	32	10	599
Total hotel rents	2,422	2,399	3,129
Other property revenue			
Other rent (commercial premises, shops, mobile phone masts etc.)	44	46	56
Other revenue (supplements, assistance/relief etc.)	143	172	113
Total other property revenue	187	218	168
Total property revenue	2,422	2,399	3,129
Direct costs for investment properties that generated rental income during the period (operating and maintenance costs, property tax and site leasehold rent) ¹⁾	-218	-215	-238

¹⁾ Excluding property administration and insurance costs.

Investment properties are recognised using the fair value method. Investment properties are properties owned for the purpose of obtaining rental income, an appreciation in value or a combination of both. Regarding operating properties, i.e. properties where Pandox also acts as hotel operator, see Note E3. The table below shows the change in the fair value of investment properties:

GROUP

MSEK	31 Dec 2021	31 Dec 2020
Opening balance	50,181	53,697
Acquisitions (at cost) ¹⁾	482	693
Investments in existing portfolio	563	492
Reclassifications ²⁾	-195	-739
Change in value, unrealised	-368	-1,779
Change in value, realised	-18	—
Change in exchange rates	1,570	-2,183
Closing balance	52,215	50,181

¹⁾ Acquisition of Aparthotel Adagio Edinburgh Royal Mile.

²⁾ One hotel property was reclassified from Property Management to Operator Activities and one was reclassified from Operator Activities to Property Management.

Realised and unrealised changes in value are recognised in the income statement in the respective line items.

🔍 For more information, see page 109.

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E2 EQUIPMENT/INTERIORS

§ ACCOUNTING PRINCIPLES

Property, plant and equipment are recognised within the Group at cost minus accumulated depreciation and any impairment losses. Cost includes the purchase price plus expenses directly attributable to the asset in order to bring it to the location and condition to be used in the manner intended when it was purchased. Accounting principles for impairment losses are described below. The carrying amount of a property, plant and equipment item is removed from the statement of financial position when an item is disposed of or divested, or when no further economic benefits are expected from the use or disposal/divestment of the asset. Gains or losses arising from divestment or disposal of an asset consist of differences between the selling price and the asset's carrying amount minus direct costs to sell.

Depreciation principles

Depreciation occurs on a straight line basis over the estimated useful life of the asset:

– Machinery and equipment 3–15 years

Further expenditures

Further expenditures are added to cost only if it is likely that the future economic benefits associated with the asset will accrue to the Company and the cost can be reliably calculated. All other further expenditures are expensed in the period when they arise.

Parent Company

Non-current assets for the Parent Company are recognised at cost after deducting accumulated depreciation and any impairment losses in the same way as for the Group, but with the addition of any appreciation.

MSEK	Group		Parent Company	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Cost, opening balance	1,295	1,168	17	8
Acquisitions	—	–2	—	—
Investments	97	68	8	9
Reclassification from work in progress	56	7	—	—
Sales/disposals	–117	—	–5	—
Reclassifications	–29	122	1	—
Translation differences	52	–68	—	—
Accumulated cost, closing balance	1,354	1,295	21	17
Depreciation, opening balance	–794	–615	–6	–4
Depreciation for the year	–102	–97	–2	–2
Sales/disposals	127	—	4	—
Reclassifications	24	–122	–1	—
Translation differences	–28	41	—	—
Accumulated depreciation, closing balance	–773	–794	–5	–6
Residual value according to plan	581	502	16	11

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E3 OPERATING PROPERTIES

§ ACCOUNTING PRINCIPLES

The properties used in Operator Activities are classified as operating properties. Operating properties are recognised at cost minus depreciation and any impairment losses.

The operating properties consist of a number of components with varying useful lives. The main division is into buildings and land. There is no depreciation of the land component as its useful life is deemed to be unlimited. The buildings consist of a number of components whose useful lives vary.

Further expenditures are added to cost only if it is likely that the future economic benefits associated with the asset will accrue to the Company and the cost can be reliably calculated. All other further expenditures are expensed in the period when they arise.

A further expenditure is added to cost if the expenditure is related to replacement of identified components or parts thereof. In cases where a new component is created, this expenditure is also added to cost. Any undepreciated carrying amounts for replaced components, or parts of components, are disposed of and expensed at the time of the replacement. Repairs are expensed on a continuous basis. Depreciation periods are between three years and 200 years, depending on the component.

The following main groups of components have been identified and form the basis for the depreciation of buildings, the straight line method of depreciation being applied:

- Frame	150–200 years
- Roof	50 years
- Facade	50 years
- Interior surfaces	20 years
- Installations	25 years
- Bathrooms	25 years
- Special adaptations	50 years
- Fixtures and fittings	15–25 years
- Land improvements	28 years
- Equipment/interiors	3–25 years

The depreciation methods, residual values and useful lives used are reassessed at the end of each year.

Operating properties that are reclassified as investment properties are recognised at fair value on the date of reclassification. The difference between fair value and the carrying amount on the date of reclassification is posted to the revaluation reserve via other comprehensive income after deducting deferred tax.

Investment properties that are reclassified as operating properties are recognised at fair value on the date of reclassification.

GROUP	31 Dec 2021	31 Dec 2020
MSEK		
Buildings		
Cost, opening balance	6,836	6,287
Reclassification	82	825
Acquisitions	—	–2
Investments	188	64
Sales/disposals	–91	—
Reclassification from construction/remodelling work in progress	197	50
Translation difference	272	–388
Accumulated cost, closing balance	7,484	6,836
Depreciation, opening balance	–1,142	–914
Reclassification	87	–162
Sales/disposals	91	—
Depreciation for the year	–167	–125
Translation difference	–39	59
Accumulated depreciation, closing balance	–1,170	–1,142
Residual value according to plan, buildings	6,314	5,694
Land		
Cost, opening balance	896	863
Reclassification	87	76
Translation difference	26	–43
Accumulated cost, land, closing balance	1,009	896
Total residual value according to plan, closing balance	7,323	6,590
Work in progress, operating properties		
Cost, opening balance	282	71
Reclassification	–34	—
Investments	141	284
Sales/disposals	–19	—
Reclassification from construction/remodelling work in progress	–253	–57
Translation difference	10	–16
Cost, work in progress, closing balance	127	282
Total, operating properties	7,450	6,872

The fair value (market value) of the operating properties exceeds their cost and is shown below. See Note E1 for the fair value measurement model.

MSEK	31 Dec 2021	31 Dec 2020
Market value, operating properties (incl. equipment/interiors)	10,380	9,361

EFFECT OF REVPAR CHANGE AS OF 31 DECEMBER 2021:

Operating properties, effect on revenues	Change	Revenue effect, MSEK
RevPAR (assuming a 50/50 split between occupancy and rate)	+/-1%	+/-7 (22)

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E4 TRADE ACCOUNTS RECEIVABLE AND DEFERRED RENT ATTRIBUTABLE TO TEMPORARY PAYMENT TERMS

Consists of rent receivables within Property Management and trade accounts receivable within Operator Activities.

In view of Covid-19, temporary changes to payment terms were agreed with tenants during the year. On 31 December 2021 rent receivables attributable to temporary payment terms totalled the equivalent of MSEK 590 (439). No discounts on hotel rents have been granted.

GROUP	31 Dec 2021	31 Dec 2020
MSEK		
Non-current rent receivables attributable to temporary payment terms	233	189
Current rent receivables attributable to temporary payment terms	357	250
Rent receivables and trade accounts receivable	269	180
Closing balance	859	619

E5 OTHER NON-CURRENT RECEIVABLES

MSEK	Group		Parent Company	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Endowment policies	25	24	25	24
Prepaid compensation for land use	5	5	—	—
Other non-current receivables	56	7	—	—
Total	86	36	25	24

E6 PREPAID EXPENSES AND ACCRUED INCOME

MSEK	Group		Parent Company	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Prepaid expenses	66	74	7	7
Accrued rental income	230	36	—	—
Total	296	110	7	7

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F Operating liabilities

F1 ACCRUED EXPENSES AND DEFERRED INCOME

MSEK	Group		Parent Company	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Prepaid rent	183	171	—	—
Accrued interest expense	60	65	20	21
Accrued property tax	4	10	—	—
Accrued employee costs	55	33	29	10
Other	250	182	62	32
Total	552	461	111	63

F2 PROVISIONS

§ ACCOUNTING PRINCIPLES

A provision differs from other liabilities in that there is uncertainty concerning the time of payment or the sum required for settlement. A provision is recognised in the statement of financial position when there is an existing legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are made in the amount that represents the best estimate of funds needed to settle the existing obligation on the closing day. A provision for a loss-making contract is recognised when the anticipated benefits the Group is expected to receive from a contract are lower than the unavoidable costs of meeting the obligations under the contract.

In the sale of properties where rent guarantees exist, the present value is calculated of the likely outflow of guarantee payments, and this is recognised as a provision. Disputes may arise in the course of operating activities, but there has been no material impact on the Group's financial position.

Parent Company

Provisions are recognised on a separate line in the balance sheet for the Parent Company. The Parent Company applies the easing rule in RFR2 in its recognition of financial guarantees, which means that IFRS 9 Financial Instruments is not applied. The Parent Company's financial guarantees mainly consist of sureties in favour of subsidiaries and are reported as contingent liabilities. Where a commitment exists for the Parent Company, the financial guarantee is instead recognised as a provision.

MSEK	Group		Parent Company	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Carrying amount at beginning of period	171	138	168	137
Provisions made during the period	20	33	17	31
Amounts used during the period	-95	—	-94	—
Carrying amount at end of period	96	171	91	168
– of which the long-term portion of the provisions	36	32	31	29
– of which the short-term portion of the provisions	60	139	60	139

The provisions consist of pension provisions, provisions for incentive schemes and provisions for equipment in buildings.

The opening balance of provisions was MSEK 29 (26) for pensions, MSEK 139 (111) for incentive schemes and MSEK 3 (1) for rent guarantees for hotels sold in 2014.

The change for the year consists of MSEK -79 for incentive schemes, MSEK 2 for pensions and MSEK 2 for equipment in buildings.

The closing balance of provisions was MSEK 31 (29) for pensions, MSEK 60 (139) for incentive schemes and MSEK 5 (3) for equipment in buildings.

F3 PLEDGED ASSETS AND CONTINGENT LIABILITIES

§ ACCOUNTING PRINCIPLES

A contingent liability is recognised when there is a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events that are outside the Group's control, or where 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 or this cannot be estimated with sufficient reliability.

MSEK	Group		Parent Company	
	2021	2020	2021	2020
Assets pledged to credit institutions				
Assets pledged for own liabilities, properties	30,365	31,576	—	—
Bank deposits	8	8	—	—
Total pledged assets	30,373	31,584	—	—
Contingent liabilities				
Security commitments for group companies	—	—	24,156	26,938
Guarantees for employees	25	24	25	24
Total contingent liabilities	25	24	24,181	26,962

Property mortgages are used as security for bank loans. Guarantees for employees refers to guarantees for endowment insurance taken out for five individuals.

Contingent liabilities consist mainly of bank guarantees issued on behalf of the subsidiaries.

G Financing, capital structure and equity

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G1 FINANCIAL INCOME AND EXPENSE

§ ACCOUNTING PRINCIPLES

Financial income consists of interest income on cash and cash equivalents. Interest income is recognised using the effective interest method, as the income is earned.

Financial expense consists of interest, charges and other expenses arising when Pandox takes on interest-bearing liabilities. These expenses are included in the interest expense that is recognised according to the effective interest method.

Exchange gains and losses are recognised as net amounts.

Derivatives are used to hedge the interest rate risk that the Group is exposed to. Interest payments for interest rate derivatives (interest rate swaps) are recognised as interest expense in the period to which they relate. Other changes in the fair value of interest rate derivatives are recognised on a separate line in profit or loss for the year.

Dividend revenue is recognised when the right to receive dividends is established at the respective subsidiaries' annual general meetings.

Parent Company

Anticipated dividends from subsidiaries are reported in cases where the Parent Company has the sole right to determine the size of the dividend and the Parent Company has taken a decision on the size of the dividend before publishing its financial statements.

MSEK	Group		Parent Company	
	2021	2020	2021	2020
Financial income				
Interest income	4	2	0	1
Interest income, subsidiaries	—	—	344	388
Dividend	—	—	—	—
Currency effects relating to internal loans	—	—	478	—
Other financial income	—	—	96	43
Total financial income	4	2	918	432
Financial expense				
Interest expense, loans measured at amortised cost	-610	-564	-110	-88
Interest expense, interest rate derivatives measured at fair value	-225	-231	-177	-179
Interest expense, subsidiaries	—	—	-29	-46
Currency effects relating to internal loans	—	—	—	-461
Other financial expense	-109	-107	-79	-41
Financial expense for right-of-use assets	-88	-86	—	—
Total financial expense	-1,032	-988	-395	-815

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G2 FINANCIAL RISK AND RISK MANAGEMENT

Through its business Pandox is exposed to various types of financial risk. Financial risk relates to fluctuation in the Company's income statement, balance sheet and cash flow. Pandox is mainly exposed to financial risks such as interest rate risk, liquidity risk, refinancing risk, currency risk and credit risk. Pandox's Financial Policy serves as a general framework for managing financial risk within the Group, for the purpose of providing guidelines and rules on how financial activity is to be conducted within the Pandox Group, defining financial risks and how to limit these risks, establishing a division of responsibility and administrative rules, and also serving as guidance in the day-to-day work of the CFO and Treasury. The financial policy is evaluated and established by the Board of Directors on an annual basis and revised as needed.

Loan agreements with credit institutions are often conditional upon the Group and the subsidiaries achieving certain predetermined key ratios and meeting certain conditions. In addition, there are certain specific reservations and restrictions in the loan agreements relating to further debt, guarantees and pledges, significant changes to the business, acquisitions and divestments etc.

Pandox's debt financing consists exclusively of credit facilities from 11 Nordic and international banks secured mainly by mortgage collateral. Short-term credit facilities with a term of less than one year amount to MSEK 5,891, of which MSEK 4,693 matures in the last quarter of 2022. Constructive discussions on refinancing are ongoing. At the Group level, Pandox's financial covenants are:

- Loan-to-value ratio at a level where Pandox's financial target for loan-to-value provides comfortable headroom.
- Interest coverage ratio at a level where satisfactory headroom is provided by revenue from contractual minimum rents and fixed rents alone.

Pandox has a positive and close dialogue with its lenders on new financing, refinancing and adjustment of existing terms and covenants taking Covid-19 into account. In 2021 lenders provided waivers in individual credit agreements.

§ ACCOUNTING PRINCIPLES

Hedging of net investment

Hedging of net investment in foreign operations under IFRS 9. The hedging relationship exists during a quarter, with the hedged item and the hedging instrument being identified and linked at the start of the quarter. Hedged risk is the risk that changes in the exchange rate between the foreign entity's local currency and SEK result in changes in the value of the Group's net investment when the investment is translated to SEK in the consolidated financial statements. Only loans external to the Group are used as hedging instruments. The effective portion of the currency remeasurement for the hedging instrument is recognised in other comprehensive income and accumulated in the translation reserve in equity. The ineffective portion is recognised in net financial items in the income statement.

The amount recognised in other comprehensive income and accumulated in the translation reserve that is attributable to the hedging relationship is to be reclassified through other comprehensive income to profit or loss when Pandox fully or partly divests subsidiaries.

Hedging of net investment in foreign operations

Pandox conducts business in other countries and is therefore exposed to translation risk in the consolidated financial statements when net assets in a foreign currency are translated, if the foreign reporting entity has a different functional currency to that of the Pandox Group (SEK). Pandox's Financial Policy states that, prior to acquisitions and divestments, decisions are to be made on the hedging of translation risk. Pandox should preferably take out external loans in the same local currency. This reduces translation exposure by decreasing the net asset in foreign currency. Pandox aims to reduce currency exposure. The effectiveness of the hedge will be assessed regularly and as a minimum on each reporting date or when there is a significant change in circumstances that affect the effectiveness of the hedge. Effectiveness is measured based on a qualitative assessment of various critical conditions.

The effective portion of the currency remeasurement for the hedging instrument is recognised in other comprehensive income and accumulated in the translation reserve in equity. The ineffective portion is recognised in net financial items in the income statement.

Derivatives and interest rate risk

In accounting for interest rate risk, interest expense and changes in value are reported on separate lines. Interest rate swaps are used for financial hedging of forecast interest flows from borrowing at variable interest rates; in these, the Company receives variable interest and pays fixed interest. Interest rate swaps are measured at fair value in the statement of financial position. The interest coupon portion is recognised in profit for

the year on an ongoing basis, as a component of interest expense. Unrealised changes in the fair value of interest rate swaps are recognised through profit or loss after financial items, on the line for changes in the value of derivatives.

Interest-bearing liabilities and loans

As of 31 December 2021 loans amounted to MSEK 34,735. Unutilised long-term credit facilities amounted to MSEK 1,983 and the volume issued under the commercial paper programme amounted to MSEK 2,191.

Pandox has a Swedish commercial paper programme with a framework amount of MSEK 3,000. The purpose of the programme is to reduce financing costs and also to diversify the financing structure. The issued commercial papers are backed up in full by existing long-term, unutilised credit facilities.

DEBT OVERVIEW AND UNUTILISED CREDIT FACILITIES 31 DECEMBER 2021

MSEK	Maturing	Interest basis	Total credit limit	Utilised amount	Unutilised amount
Bank loans	0–5 years	Variable	27,731	27,731	0
Revolving credit facilities	0–4 years	Variable	7,004	2,831	4,174
Commercial paper	0–1 year	Fixed	—	2,191	–2,191
Total credit facilities			34,735	32,752	1,983

Pandox's fixed interest period and repayment period remain at the total levels shown below.

FIXED INTEREST/REPAYMENT PERIOD

	Average fixed interest period, years	Average interest rate, %	Repayment period, years	
2021		3.3	2.5	2.2
2020		2.8	2.6	2.8

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►► Note G2, cont.

Interest rate risk

Interest rate risk is the risk that the fair value and future cash flows will be affected by changes in market interest rates. Interest rate risk has an impact in two ways: through ongoing interest expense for loans and derivatives, and through changes in the market value of derivatives. The interest risk strategy consists of a combination of short and long fixed interest periods where primarily interest rate swaps are used to achieve the desired fixed interest period. The strategy takes into account the Company's aggregate assets and liabilities including derivatives. The interest rate strategy is expressed as a standard portfolio that defines risk limits and maximum deviation mandates for each maturities group. Pandox's fixed interest period and repayment period remain at the total levels shown below.

FIXED RATE MATURITY PROFILE 31 DECEMBER 2021

Maturity (MSEK)	Total fixed rate		Fixed rate, derivatives		
	Amount ¹⁾	Share, %	Volume	Share, %	Average interest rate, derivatives %
0–2 years	14,475	44%	4,041	18%	1.7
2–4 years	3,336	10%	3,336	15%	–0.1
4–6 years	6,411	20%	6,411	29%	0.4
6–8 years	7,251	22%	7,251	32%	0.6
8–10 years	1,278	4%	1,278	6%	–0.1
> 10 years	—	—	—	—	—
Total	32,752	100%	22,318	100%	0.6

¹⁾ Share of loans with a fixed interest rate maturing during the period.

FIXED RATE MATURITY PROFILE 31 DECEMBER 2020

Maturity (MSEK)	Total fixed rate		Fixed rate, derivatives		
	Amount ¹⁾	Share, %	Volume	Share, %	Average interest rate, derivatives %
0–2 years	19,359	61%	5,171	30%	1.2
2–4 years	1,533	5%	1,533	9%	2.8
4–6 years	1,905	6%	1,905	11%	0.4
6–8 years	6,723	21%	6,723	39%	0.9
8–10 years	2,108	7%	2,108	12%	–0.1
> 10 years	—	—	—	—	—
Total	31,629	100%	17,441	100%	1.0

¹⁾ Share of loans with a fixed interest rate maturing during the period.

SENSITIVITY ANALYSIS OF CHANGES IN INTEREST RATES FOR 2021 AND 2020 RESPECTIVELY

The table below shows the change in various scenarios.

	2021		2020	
	Change	Profit before changes in value, MSEK	Change	Profit before changes in value, MSEK
Current fixed interest, change in interest rates, with derivatives	+/-1%	+6/-171	+/-1%	-56/-132
Current fixed interest, change in interest rates, without derivatives	+/-1%	-215/+31	+/-1%	-228/+21
Remeasurement of interest rate derivatives following shift in yield curves	+/-1%	+/-988	+/-1%	+/-868

Shown above is the effect on earnings of specific changes in interest rates which, adjusted for tax (around 21 percent), have the same effect on equity. The effect on earnings is asymmetrical because Pandox has limited opportunities to fully benefit from negative market interest rates. Derivatives are recognised on an ongoing basis at fair value in the statement of financial position, and the change in value – which does not affect cash flow – is recognised in profit for the year.

►► Note G2, cont.

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Currency risk

Currency risk is the risk that fair value or future cash flows will be affected by changes in foreign currency exchange rates. Pandox primarily reduces currency exposure in foreign investments by taking out loans in local currency. Equity is currency-hedged ahead of acquisitions, investments and divestments to avoid changes in the value of equity. In general, foreign operations report both income and costs in their local currencies, which means that currency exposure resulting from current flows is limited. In view of the limited risk, Pandox does not currency-hedge these flows unless there is a particular reason to do so.

Loans and property investments at market value are broken down into different currencies as shown below. Average interest rate including marginal loans.

LOAN-TO-VALUE RATIO AND LOANS BY CURRENCY 31 DECEMBER 2021

MSEK ¹⁾	SEK	DKK	EUR	CHF	CAD	NOK	GBP	Total	Share, %	Interest rate, % ²⁾
Total interest-bearing liabilities	6,963	1,906	15,761	469	506	1,210	5,937	32,752	100%	2.5%
Maturing in foreign currency, %	21.3	5.8	48.1	1.4	1.5	3.7	18.1	100.0	—	—
Average interest rate, %	2.5	2.1	2.3	2.1	2.9	3.2	3.0	2.5	—	—
Average fixed interest period, years	3.5	2.2	3.9	0.2	0.1	2.3	2.5	2.8	—	—
Fair value, properties	14,796	3,502	28,160	775	1,262	3,309	10,792	62,596	—	—

LOAN-TO-VALUE RATIO AND LOANS BY CURRENCY 31 DECEMBER 2020

MSEK ¹⁾	SEK	DKK	EUR	CHF	CAD	NOK	GBP	Total	Share, %	Interest rate, % ²⁾
Total interest-bearing liabilities	7,330	1,908	15,259	450	476	1,154	5,052	31,629	100%	2.6%
Maturing in foreign currency, %	23.2	6.0	48.2	1.4	1.5	3.6	16.0	100.0	—	—
Average interest rate, %	3.1	1.9	2.3	0.8	2.7	2.6	3.0	2.6	—	—
Average fixed interest period, years	2.9	0.5	3.1	0.2	0.1	2.3	3.3	2.8	—	—
Fair value, properties	14,572	3,383	27,377	728	1,146	3,036	9,300	59,542	—	—

¹⁾ The values in the tables have been converted to MSEK.

²⁾ Average interest rate including bank margin; the interest is calculated on the total credit utilised.

FINANCIAL ASSETS AND LIABILITIES BY CURRENCY AT 31 DECEMBER 2021, MILLIONS IN LOCAL CURRENCY

	SEK	DKK	EUR	CHF	CAD	NOK	GBP	Total SEK
Assets	15,792	3,051	2,685	80	159	3,305	1,154	66,801
<i>of which Financial assets</i>	254	476	99	1	2	8	65	2,741
Liabilities	15,555	861	1,416	54	89	3,066	621	41,379
<i>of which Financial liabilities</i>	10,414	560	1,115	47	73	1,088	511	33,098
Effect on earnings +/-10% exchange rate	—	+/-4	+/-19	+/-0	+/-9	+/-6	+/-2	+/-19
Effect on equity +/-10% exchange rate	—	+/-32	+/-970	+/-45	+/-46	+/-107	+/-493	+/-1,693

FINANCIAL ASSETS AND LIABILITIES BY CURRENCY AT 31 DECEMBER 2020, MILLIONS IN LOCAL CURRENCY

	SEK	DKK	EUR	CHF	CAD	NOK	GBP	Total SEK
Assets	16,606	3,099	2,696	80	156	3,254	1,092	64,815
<i>of which Financial assets</i>	1,163	586	88	1	2	2	42	3,320
Liabilities	15,573	891	1,463	55	90	2,557	627	40,727
<i>of which Financial liabilities</i>	12,587	584	1,127	49	75	1,122	523	32,472
Effect on earnings +/-10% exchange rate	—	+/-6	+/-46	+/-2	+/-11	+/-10	+/-67	+/-142
Effect on equity +/-10% exchange rate	—	+/-29	+/-1,011	+/-43	+/-46	+/-107	+/-516	+/-1,752

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►► Note G2, cont.

Liquidity and refinancing risk

Liquidity risk is the risk of not having sufficient funds to fulfil payment obligations when they fall due. The consolidated liquidity forecast forms the basis of the Company's borrowing or investment requirements, as well as its control of the total liquidity reserves. A long-term target for the level of liquidity in the form of liquidity reserves (cash, liquid interest-bearing investments and forecast net cash flows over 12 months) and credit facilities is an amount corresponding to at least 12 months' known outgoing payments including interest payments and current repayments or repayments that have been decided on. Pandox's liquidity reserve at year-end amounts to MSEK 3,576 (5,211) and is distributed as shown in the table below.

Refinancing risk is the risk that financing cannot be obtained, or can only be obtained at considerably higher costs. To reduce refinancing risk the maturity of loans is to be spread out evenly over time, to reduce the risk of a large percentage of loans maturing at the same time. Pandox works actively to reduce refinancing risk by ensuring that the maturity profile of its debt is balanced and by utilising a number of financing sources.

MSEK	31 Dec 2021	31 Dec 2020
Cash and cash equivalents	1,593	2,622
Unutilised credit facilities	1,983	2,599
Total liquidity reserve	3,576	5,221

The maturity profile of financial liabilities is shown in the table below.

Interest calculated as per terms effective at the time in question.

MATURITY PROFILE OF FINANCIAL LIABILITIES AT 31 DECEMBER 2021, MSEK

Year due	Other liabilities ³⁾	Loan amount ²⁾	Interest, loans ¹⁾
2022	—	5,891	97
<i>Due 0–1 month</i>	214	—	—
<i>Due 1–3 months</i>	—	—	—
<i>Due 3–12 months</i>	—	5,891	—
2023	—	14,604	282
2024	—	3,889	83
2025	—	8,859	131
2026	—	1,492	18
Total	214	34,735	611

MATURITY PROFILE OF FINANCIAL LIABILITIES AT 31 DECEMBER 2020, MSEK

Year due	Other liabilities ³⁾	Loan amount ²⁾	Interest, loans ¹⁾
2021	—	5,544	85
<i>Due 0–1 month</i>	179	—	—
<i>Due 1–3 months</i>	—	—	—
<i>Due 3–12 months</i>	—	5,544	—
2022	—	3,750	39
2023	—	11,277	199
2024	—	11,585	244
2025	—	568	8
2026	—	1,504	17
Total	179	34,228	591

¹⁾ Calculation based on closing balance on 31 December of the respective year, interest rates in effect as of the same date and an implied annual interest expense for the various maturity periods.

²⁾ Excluding contractual repayments. Including unutilised amount. Contractual repayments amounted to MSEK 463 for 2021.

³⁾ Trade accounts payable and other financial liabilities normally fall due for payment within 30 days and have therefore been classified accordingly in the tables above.

Credit risk

Credit risk is the risk that Pandox's counterparty will be unable to fulfil its financial obligations to Pandox. Credit risk in Pandox's financial activity arises, for example, when investing surplus liquidity, when signing derivative contracts and when credit agreements are issued. The risk is to be spread by using multiple counterparties. Only approved counterparties are to be used. Permitted counterparties for credit facilities, revolving facilities and derivative instruments are Nordic counterparties with a minimum rating of either A– (S&P) or A3 (Moody's), or another counterparty with a minimum rating of either A (S&P) or A2 (Moody's).

Pandox has a well-diversified property portfolio characterised by well-established, stable and sound tenants, which reduces the credit risk in trade accounts receivable. A further factor that reduces the potential credit risk is Pandox's operational readiness, which means it is able to take over the operation of a property quickly if necessary and thereby secure the cash flow. The occupancy rate of Pandox's wholly owned property portfolio was close to 100 percent and vacant space consisted of retail and office premises. Provisions are made for doubtful trade accounts receivable on an individual basis, i.e. each individual customer balance is analysed in the ledger.

Capital management

Pandox's financial position is monitored primarily on the basis of loan-to-value ratio, with a target of 45–60 percent. Internal monitoring of financial position does not focus on equity. At year-end 2021 the loan-to-value ratio was 49.8 (48.7) percent.

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G3 FINANCIAL ASSETS AND LIABILITIES – CLASSIFICATION, FAIR VALUE AND OFFSETTING

§ ACCOUNTING PRINCIPLES

Financial instruments

Financial instruments recognised in the statement of financial position include: on the asset side, financial investments, cash and cash equivalents, loans receivable, rent receivables, trade accounts receivable and derivatives; and on the liabilities side, trade accounts payable, loan liabilities and derivatives.

Recognition in and derecognition from the statement of financial position

A financial asset or financial liability is recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. A receivable is recognised when the Company has performed and there is a contractual obligation for the counterparty to pay, even if an invoice has not yet been sent. Trade receivables are recognised in the statement of financial position when an invoice has been sent. A liability is recognised when the counterparty has performed and there is a contractual obligation to pay, even if an invoice has not yet been received. Trade payables are recognised when an invoice is received.

A financial asset is derecognised from the statement of financial position when the contractual rights are realised, expire or the Company loses control of them. The same applies to a portion of a financial asset. A financial liability is derecognised from the statement of financial position when the contractual obligation is fulfilled or otherwise extinguished. The same applies to a portion of a financial liability. Financial assets and financial liabilities are offset and recognised as a net amount in the statement of financial position only when the Company has a legal right to offset items against each other and intends to settle these items in a net amount or simultaneously realise the asset and settle the liability.

Acquisitions and divestments of financial assets are recognised on the transaction date, which is the date the Company undertakes to acquire or divest the asset.

Classification and measurement

Financial instruments are initially recognised at cost, equivalent to the instrument's fair value plus transaction costs for all financial instruments except instruments in the categories of assets or liabilities at fair value through profit or loss, which are recognised at fair value exclusive of transaction costs. A financial instrument is classified upon initial recognition based, among other things, on the purpose for which the instrument was acquired. The classification determines how the financial instrument is measured after initial recognition, as described below.

Cash and cash equivalents comprise cash and immediately available deposits at banks and equivalent institutions, plus short-term liquid investments with a maturity from the acquisition date of less than three months and which are subject to only an insignificant risk of fluctuations in value.

The relevant categories are as follows:

- Financial assets/liabilities at amortised cost
- Financial assets/liabilities at fair value through profit or loss
- Financial assets/liabilities at fair value through other comprehensive income

Financial assets/liabilities at amortised cost

This category refers to non-derivative financial assets/liabilities with fixed or determinable payments that are not quoted in an active market. Examples of assets/liabilities in this category include trade accounts receivable, cash and cash equivalents, trade accounts payable and interest-bearing liabilities. These assets and liabilities are measured at amortised cost applying the effective interest method. Rent receivables and other receivables are recognised at the amounts that are expected to be received, i.e. after deductions for doubtful receivables.

Financial assets/liabilities at fair value through profit or loss

Financial instruments in this category are measured on an ongoing basis at fair value with changes in value recognised through profit or loss. This category includes derivative instruments. Pandox does not exercise the option to measure other financial instruments at fair value.

Financial assets/liabilities at fair value through other comprehensive income

Hedging of net investment in foreign operations under IFRS 9. Financial instruments in this category are measured on an ongoing basis at fair value with changes in value recognised through other comprehensive income. See also Note G2 regarding accounting principles for hedge accounting.

Other financial liabilities

Loans and other financial liabilities, e.g. trade accounts payable, are included in this category. The liabilities are measured at amortised cost applying the effective interest method.

►► Note G3, cont.

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FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

31 DECEMBER 2021, MSEK	Category	Financial assets/liabilities at amortised cost	Financial assets/liabilities at fair value through profit or loss	Financial assets/liabilities at fair value through other comprehensive income
Other non-current receivables		86	—	—
Rent receivables and trade accounts receivable		269	—	—
Deferred rent receivables attributable to new temporary payment terms		590	—	—
Derivatives	Level 2	—	203	—
Cash and cash equivalents		1,593	—	—
Total financial assets		2,538	203	—
Non-current interest-bearing liabilities		27,205 ¹⁾	—	—
Derivatives	Level 2	—	261	—
Current interest-bearing liabilities		5,418 ¹⁾	—	—
Trade accounts payable		214	—	—
Total financial liabilities		32,837	261	—

31 DECEMBER 2020, MSEK	Category	Financial assets/liabilities at amortised cost	Financial assets/liabilities at fair value through profit or loss	Financial assets/liabilities at fair value through other comprehensive income
Other non-current receivables		36	—	—
Rent receivables and trade accounts receivable		180	—	—
Deferred rent receivables attributable to new temporary payment terms		439	—	—
Derivatives	Level 2	—	43	—
Cash and cash equivalents		2,622	—	—
Total financial assets		3,277	43	—
Non-current interest-bearing liabilities		26,034 ¹⁾	—	—
Derivatives	Level 2	—	841	—
Current interest-bearing liabilities		5,418 ¹⁾	—	—
Trade accounts payable		179	—	—
Total financial liabilities		31,631	841	—

¹⁾ Arrangement fees of MSEK 129 (177) have reduced interest-bearing liabilities in the balance sheet.

Fair value of financial assets and liabilities

The financial instruments for which it is important to carefully measure fair value consist of interest-bearing liabilities and derivatives; other financial instruments either have short maturities or consist of insignificant amounts. The loans have short-term interest rates corresponding to the market interest rates on the closing day. The Company's margins on the loans are deemed to represent the margins that would be received as of the closing day. This assessment assumes that the carrying amounts of the loans are a reasonable approximation of the fair value. Derivatives, which consist of interest rate swaps, are at level 2 in the fair value hierarchy, i.e. based on directly or indirectly observable inputs for the asset or liability, with no significant inputs that are not observable market data. The fair value is based on discounted estimated future cash flows according to the terms and maturities of the contracts, based on current market rates of interest. To establish fair value, market interest rates are used for each maturity noted on the closing day.

Offsetting

The Group's interest rate derivatives are subject to the International Swaps and Derivatives Association's (ISDA) Master Agreements on netting. Under these agreements, when a counterparty cannot settle its obligations in all transactions, the agreement is cancelled and all outstanding transactions are settled in a net amount. The ISDA agreements do not fulfil the criteria for netting in the statement of financial position. Other than this, there are no master netting agreements for any of Pandox's financial instruments.

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G4 EQUITY

§ ACCOUNTING PRINCIPLES

Non-controlling interests

Non-controlling interests, which consist of the share of Group companies' profit or loss and net assets not accruing to the Parent Company's shareholders, are reported as a separate item within equity. In the consolidated statement of comprehensive income the share attributable to non-controlling interests is included in comprehensive income for the year.

Distribution of capital to shareholders

Dividend

Dividends are recognised as liabilities after the dividend is approved by the Annual General Meeting.

Earnings per share

The earnings per share calculation is based on the Group's profit for the year attributable to the owners of the Parent Company and on the weighted average number of shares outstanding during the year. At this time there are no potential ordinary shares that could result in dilution.

Equity items

Share capital

The share capital consists of 75,000,000 class A shares and 108,849,999 class B shares, totalling 183,849,999 (183,849,999) shares with a quota value of SEK 2.50 per share, making a total value of MSEK 460. See also the information on page 32 in the section "Pandox and the capital market".

Other paid-in capital

Other paid-in capital consists of capital contributions from Pandox AB's owners in the form of new share issues and shareholder contributions.

Translation reserve

The translation reserve includes all exchange rate differences arising in the translation of the financial statements of foreign operations that have prepared their financial statements in a currency other than the presentation currency of the Group's financial statements. The Group presents its financial statements in millions of Swedish kronor (MSEK).

Revaluation reserve

The revaluation reserve includes changes in fair value arising on the reclassification of hotel properties between Pandox's two business segments, Operator Activities and Property Management.

Retained earnings including net profit for the year

Retained earnings consist of profits earned in previous years, including net profit for the year.

Non-controlling interests

Non-controlling interests that have arisen upon the acquisition of investment properties and the minority's share of net profit for the year and other comprehensive income reduced by the dividend paid to the minority.

Dividend

The Board of Directors proposes that no dividend be paid for the 2021 financial year.

Per share data

The average number of shares used to calculate earnings per share is 183,849 999. Earnings per share for the year after tax amount to SEK 3.32 (609,854,000/183,849,999).

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G5 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

§ ACCOUNTING PRINCIPLES

On the entry into force of IFRS 16 Pandox elected to apply the simplified approach, which means that comparative information for earlier periods has not been restated. Pandox applies the exemption for leases where the underlying asset is of low value or the lease term is 12 months or less. The lease payment is divided between a reduction of the lease liability and interest expense, while the lease payments reported previously as external costs are replaced by depreciation expense on the right-of-use assets. To calculate the right-of-use asset and the lease liability, Pandox applies an estimated financing cost in local currency based on the term of the various leases.

Pandox reports these as three balance sheet items: right-of-use assets, and current and non-current lease liabilities. In the income statement the financial component is recognised in net financial items on the line "Financial expense for right-of-use assets".

For site leasehold rents, the implicit interest rate based on agreements has been used and for other right-of-use assets the incremental borrowing rate has been used. The rates applied range from 1.29 to 4.45 per cent.

The holder of a site leasehold in Sweden has the right to use the land for a very long period; certain descriptions by municipalities state "in principle, perpetual". As a result, according to IFRS 16 the discounted value of site leasehold rents is to be recognised in the balance sheet as a perpetual right-of-use asset and lease liability. The site leasehold rent paid is recognised in full as a financial expense, whereas previously it was reported as an operating expense. Pandox also has site leaseholds or other lease agreements for land in countries other than Sweden. These agreements are structured in various ways, but are usually extended and on this basis, Pandox treats these agreements in the same way as Swedish site leaseholds.

Commercial premises (mainly Pandox AB's premises and some stores leased in The Hotel Brussels) and vehicles (company cars) are recognised at discounted value in the balance sheet as a right-of-use asset and a lease liability. In the income statement the right-of-use asset is depreciated over the lease term and payments made to the lessor/landlord are recognised partly as a reduction in lease liabilities and partly as interest expense. For premises the option of extension is applicable, but since these are not deemed to be material they have not been included in the term of the lease. Lease expenses not falling within the framework of IFRS 16, including low-value leases and short-term leases, total an insignificant amount. Likewise, any variable components total an insignificant amount and are not stated separately.

RIGHT-OF-USE ASSETS

MSEK	Site lease-holds	Premises	Vehicles	Other	Total
Opening balance, 1 Jan 2020	2,747	138	5	4	2,894
Effect of retrospective adjustment	170	—	—	—	170
New opening balance, 1 Jan 2020	2,917	138	5	4	3,064
New leases/investments	—	—	3	—	3
Changed lease payment or term	56	—	—	1	57
Divestments and disposals	-25	—	0	—	-25
Depreciation	—	-26	-3	-2	-31
Exchange rate differences	-138	-4	0	0	-142
Closing balance 31 Dec 2020	2,810	108	5	3	2,926
Opening balance, 1 Jan 2021	2,810	108	5	3	2,926
New leases/investments	—	—	2	2	4
Changed lease payment or term	—	32	—	—	32
Divestments and disposals	—	—	0	—	0
Depreciation	—	-25	-2	-2	-29
Exchange rate differences	104	2	0	0	106
Closing balance 31 Dec 2021	2,914	117	5	3	3,039

LEASE LIABILITIES

MSEK	31 Dec 2021	31 Dec 2020
Current	22	27
Non-current	3,020	2,901
Total lease liabilities	3,042	2,928

RECOGNISED IN THE INCOME STATEMENT

MSEK	2021	2020
Financial expense for right-of-use assets ¹⁾	-88	-86
Depreciation of right-of-use assets – within costs of Operator Activities and central administration	-29	-31

¹⁾ Of which site leasehold rents paid amount to MSEK 84 (83).

MATURITY ANALYSIS FOR LEASE LIABILITIES 2021

	Expected to be settled within					Total contractual cash flows	Carrying amount of lease liability
	Less than 6 months	Between 6 and 12 months	Between 1 and 2 years	Between 2 and 5 years	More than 5 years		
Lease liabilities	10	12	19	46	2,955	3,042	3,042

MATURITY ANALYSIS FOR LEASE LIABILITIES 2020

	Expected to be settled within					Total contractual cash flows	Carrying amount of lease liability
	Less than 6 months	Between 6 and 12 months	Between 1 and 2 years	Between 2 and 5 years	More than 5 years		
Lease liabilities	12	15	13	29	2,859	2,928	2,928

H Group structure

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H1 PARTICIPATIONS IN SUBSIDIARIES

PARENT COMPANY

MSEK	31 Dec 2021	31 Dec 2020
Cost, opening balance	8,969	8,880
Shareholder contributions provided	—	89
Total accumulated cost	8,969	8,969
Impairment losses, opening balance	-1,487	-1,487
Accumulated impairment losses, closing balance	-1,487	-1,487
Closing balance	7,842	7,842

The Parent Company recognises shares in subsidiaries according to the cost method. Pandox AB has 31 directly owned companies as shown in the table below and through these owns a further 185 companies. A full list of all participations in subsidiaries is available from Pandox AB. In total the Group owns 70 companies in Sweden, 40 in Germany, 24 in the Netherlands, 19 in Norway, 17 in Finland, 13 in Denmark, 12 in the UK, 11 in Belgium, three in Ireland, three in Austria, two in Canada, one in Luxembourg and one in Switzerland.

Directly owned subsidiaries	Company reg. no.	Registered office	Number of shares	Share of capital/votes
HOTAB Förvaltning AB	556475-5592	Stockholm, Sweden	1,000	100
Pandox Förvaltning AB	556097-0815	Stockholm, Sweden	5,500	100
Hotab 6 AB	556473-6352	Stockholm, Sweden	1,000	100
Fastighets AB Grand Hotell i Helsingborg	556473-6329	Stockholm, Sweden	1,000	100
Pandox Fastighets AB	556473-6261	Stockholm, Sweden	1,000	100
Fastighets AB Stora Hotellet i Jönköping	556469-4064	Stockholm, Sweden	1,000	100
Pandox Belgien AB	556495-0078	Stockholm, Sweden	1,000	100
Hotellus Holding AB	556475-9446	Stockholm, Sweden	1,000	100
Pandox Luxemburg AB	556515-9216	Stockholm, Sweden	10,000	100
Pandox i Halmstad AB	556549-8978	Stockholm, Sweden	1,000	100
Pandox i Borås AB	556528-0160	Stockholm, Sweden	1,000	100
Hotellus Mellansverige AB	556745-4656	Stockholm, Sweden	100,000	100
Grand i Borås Fastighets AB	556030-7083	Stockholm, Sweden	6,506	100
Hotellus International AB	556030-2506	Stockholm, Sweden	7,480,000	100
Hotellus Östersund AB	556367-3697	Stockholm, Sweden	1,000	100
Ypsilon Hotell AB	556481-4134	Stockholm, Sweden	1,000	100
Pandox Kolmården AB	556706-8316	Stockholm, Sweden	100,000	100
Hotellus Sverige Ett AB	556778-8699	Stockholm, Sweden	1,000	100
Sech Holding AB	556819-2214	Stockholm, Sweden	357,000	100
Pandox Portfölj 2 AB	556982-7040	Stockholm, Sweden	500	100
Pandox Sollentuna Centrum 12 AB	556660-3949	Stockholm, Sweden	1,000	100
Pandox Sweden AB	556942-1687	Stockholm, Sweden	500	100
Pandox Operations AB	556980-3207	Stockholm, Sweden	50,000	100
Pandox i Malmö AB	556704-3723	Malmö, Sweden	1,000	100
Hotellus Denmark A/S	28970927	Denmark	5,000	100
Le Nouveau Palace SA	0423.048.375	Belgium	3,000	99.97 ¹⁾
Pandox Royale SA	0476.704.322	Belgium	68,808	99.99 ²⁾
Pandox Belgium NV	0890.427.732	Belgium	100,000	99.99 ³⁾
Pandox RMC BVBA	0552.929.692	Belgium	1,000	99.00 ⁴⁾
Tenzing Holding BV	70144427	Netherlands	1	100
Convention Hotel International AG	CHE-101.458.856	Switzerland	14,000	100

¹⁾ Le Nouveau Palace SA is 0.03 percent owned by Hotellus International AB, which is wholly owned by Pandox AB (publ).

²⁾ Pandox Royale SA is 0.01 percent owned by Hotellus International AB, which is wholly owned by Pandox AB (publ).

³⁾ Pandox Belgium NV is 0.01 percent owned by Hotellus International AB, which is wholly owned by Pandox AB (publ).

⁴⁾ Pandox RMC BVBA is 1 percent owned by Hotellus International AB, which is wholly owned by Pandox AB (publ).

I Cash flow statement

I1 SPECIFICATION OF CASH FLOWS FOR THE GROUP

§ ACCOUNTING PRINCIPLES

Cash and cash equivalents consist of bank balances. Pandox presents its cash flow statement using the indirect method. The indirect method starts with profit for the year before tax and makes adjustments for non-cash income and expense items and for changes in working capital. On the acquisition or sale of companies only the cash effect is reported. Cash transactions resulting from the company's financing are reported in cash flow from financing activities.

GROUP		
MSEK	2021	2020
Acquisition of hotel properties and other business entities		
Acquired assets and liabilities		
Investment properties	482	—
Total assets	482	—
Purchase consideration:		
Purchase consideration paid	482	689
Less: Cash and cash equivalents in the acquired operations	0	0
Effect on cash and cash equivalents	482	689

Reconciliation of liabilities arising from financing activities:

LOANS TO CREDIT INSTITUTIONS

MSEK	31 Dec 2021	31 Dec 2020
Opening balance	31,452	29,621
Cash flow	108	3,091
Exchange rate differences	1,064	-1,260
Closing balance liabilities to credit institutions	32,624	31,452

Other items not included in cash flow

MSEK	2021	2020
Accrual accounting of loan arrangement fees	77	72
Provisions	-76	34
Acquisition-related items	-1	-23
Capitalised interest	-6	-24
Impairment	10	0
Translation differences	66	-84
Other	-7	-13
Total other items not included in cash flow	63	-38

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J Parent Company accounting principles and supplementary disclosures

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J1 PARENT COMPANY ACCOUNTING PRINCIPLES

Parent Company accounting principles

The Parent Company's annual accounts are prepared in accordance with the Swedish Annual Accounts Act (1995:1554), Swedish Financial Reporting Board recommendation RFR 2 (Accounting for Legal Entities) and the statements issued by the Swedish Financial Reporting Board (UFR). RFR 2 requires the Parent Company to apply all EU-adopted IFRS standards and statements as far as this is possible within the framework of the Swedish Annual Accounts Act and the Swedish Pension Obligations Vesting Act, and taking into account the connection between reporting and taxation. The recommendation states the exceptions from and additions to IFRS that must be made. These are described below.

Differences between the Group's and the Parent Company's accounting principles

Classification and presentation

The Parent Company's annual accounts include an income statement and balance sheet in accordance with Chapter 9 of the Swedish Annual Accounts Act. They are presented according to the presentation schedule in this Act. The differences between the Parent Company's income statement and balance sheet and the Group's financial statements mainly relate to reporting of financial income and expense, non-current assets and equity, and provisions appearing as a separate heading in the balance sheet.

Assets and liabilities held for sale

Non-current assets held for sale and discontinued operations are not disclosed in the Parent Company's income statement and balance sheet since the Parent Company complies with the income statement and balance sheet format set out in the Swedish Annual Accounts Act. Information regarding non-current assets held for sale and discontinued operations is disclosed in the notes instead. Depreciation and amortisation are applied in accordance with the Annual Accounts Act.

Financial instruments

Due to the connection between reporting and taxation, the rules for financial instruments and hedge accounting in IFRS 9 are not applied to the Parent Company as a legal entity.

The Parent Company's non-current financial assets are measured at cost less any impairment losses, and current financial assets are measured according to the lowest cost principle. The cost of interest-bearing

instruments is adjusted for the accrued difference between the amount originally paid, after deducting transaction costs, and the amount paid on the maturity date (premium or discount).

Interest rate swaps that effectively hedge cash-flow risk in interest payments on liabilities are measured net of the accrued receivable for variable interest and accrued liability for fixed interest. The difference is recognised as interest expense or interest income. Hedging is effective if the financial substance of the hedge and the liability are the same as if the liability had instead been recognised at a fixed market interest rate when the hedging relationship was entered into. Any premium paid for the swap agreement is accrued as interest over the term of the agreement.

Participations in subsidiaries

The Parent Company recognises participations in subsidiaries according to the cost method, whereby transaction expenses are included in the carrying amount of holdings in subsidiaries. Contingent consideration is measured based on the likelihood that the consideration will be paid. Any changes in provisions/receivables are added to/subtracted from cost. The value of shares in subsidiaries is reassessed if impairment is indicated.

Group contributions

Group contributions are recognised as year-end appropriations in the income statement for the Parent Company.

Recognition of leases

Lease payments are expensed on a straight line basis over the term of the lease. Right-of-use assets and lease liabilities are therefore not recognised in the balance sheet.

J2 CURRENT AND NON-CURRENT LIABILITIES, PARENT COMPANY

PARENT COMPANY

MSEK	2021	2020
Liabilities to credit institutions due within 12 months	4,585	1,510
Liabilities to credit institutions due in 1–4 years	3,677	3,312
Liabilities to credit institutions due in 5 years or later	—	—
Total current and non-current liabilities ¹⁾	8,262	4,822

¹⁾ Arrangement fees of MSEK -10 (-18) have reduced interest-bearing liabilities in the balance sheet.

J3 APPROPRIATION OF PROFIT

At the disposal of the Annual General Meeting:

Retained earnings	8,132,946,857
Profit for the year	887,621,017
SEK	9,020,567,874
Carried forward	9,020,567,874
SEK	9,020,567,874

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The Board and CEO hereby provide an assurance that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and provide a fair representation of the Group's position and results. The Annual Report has been prepared in accordance with generally accepted accounting principles and provides a fair representation of the Parent Company's position and results. The Administration Report for the Group and the Parent Company provides a fair representation of operations in the Group and the Parent Company, their position and results, and describes the material risks and uncertainties facing the Parent Company and the companies included in the Group. The undersigned hereby also present Pandox's Sustainability Report for 2021.

Stockholm, 6 March 2022

Christian Ringnes
Chair

Jon Rasmus Aurdal
Board member

Jeanette Dyhre Kvisvik
Board member

Ann-Sofi Danielsson
Board member

Jakob Iqbal
Board member

Bengt Kjell
Board member

Liia Nõu
Chief Executive Officer

Our auditor's report in respect of this annual report and the consolidated accounts was submitted on 7 March 2022.

PricewaterhouseCoopers AB

Patrik Adolfsen
*Authorised Public Accountant
Auditor-in-charge*

Linda Andersson
Authorised Public Accountant

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Unofficial translation

To the general meeting of the shareholders of Pandox Aktiebolag (publ), corporate registration number 556030-7885

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinion

We have audited the annual accounts and consolidated accounts of Pandox AB (publ) for the year 2021. The annual accounts and consolidated accounts of the company are included on pages 117–168 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 parent company and the group as of 31 December 2021 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 2021 and their 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. 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 Responsibilities 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. 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.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the focus and scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Pandox Group, the accounting processes and controls, and the industry in which the group operates.

Pandex is a property company specializing in hotels with operations throughout the world and with a hotel portfolio that has a market value of MSEK 52 596. Pandox's core business is to own and lease hotel properties to well-known hotel operators under long revenue-based leases with shared investments. If the conditions are not in place for a profitable lease, Pandox can choose to operate a hotel itself. As a consequence of the Covid-19

pandemic, demand in the hotel market was severely impacted and differed from market to market. Most of Pandox's revenue during the year therefore consisted of contractual minimum rents and fixed rents. Revenue from purely revenue-based leases and Operator activities made up a smaller percentage than in the years before the covid-19 pandemic (around 36% compared to 54%). The Group's operations and results in 2021 were therefore as previous year severely impacted by the ongoing pandemic. Our audit has therefore focused in particular on the financial impact of the covid-19 pandemic with respect to liquidity, financing requirements and financial covenants, valuation assumptions for hotel properties recognized at fair value, recognition of government relief programmes and measurement of trade accounts receivable.

Our audit involves conducting a review of all significant companies in the group. Our audit covers operations in 15 countries and our activities included:

- Combined audit of the valuation of the hotel properties and the related process to establish their carrying amounts.
- Audit of internal control over financial reporting, routines and processes based on assessed risks.
- Assessment of and discussion on the accounts as of 30 June 2021 with the executive management team and audit committee.
- Review of the closing accounts as of 30 September 2021 for the purpose of presenting a review report.
- Audit of year-end accounts and final audit work to present this auditors' report on the annual accounts of the parent company and group and, where applicable, other legal entities. In conjunction with these activities, we also performed review procedures to produce our statement on compliance with senior executive guidelines.

The review is performed either by the group audit team or by local teams that are normally part of the PwC network. Where

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another audit team takes part in the review, specific instructions are issued for the group audit and the work is performed in accordance with local audit requirements in the respective countries relating to the statutory audit. In addition, during the year the auditor-in-charge and co-signing auditor had on-site or digital visits and meetings involving operations in Canada, Denmark, the Netherlands and Germany. This was made in order to become familiar with the operations of the entities visited and to understand the routines and control procedures in place, to evaluate compliance with Pandox's internal control framework and to review the financial reporting based on the group's accounting principles.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, 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.

Key audit matter

Valuation of hotel properties

We refer to the administration report and the description of the Pandox group's overall accounting principles in Note B1 and to Note E1 Investment properties.

The value of the hotel properties as of 31 December 2021 was MSEK 62,596 (of which investment properties MSEK 52,215). The hotel properties constitute a significant portion of the balance sheet and valuation of the hotel properties is by nature subjective and based on management's judgements of, for example, the specific property's location, condition, future rental income and valuation yield. As of 31 December 2021, Pandox has valued the hotel properties according to the same method and model used since the IPO in 2015. The valuation model is a model where the future cash flows the hotel properties are expected to generate are discounted by a valuation yield based on transactions in the market, current contracts and other market conditions and which is compared to the valuation yield used by external property appraisers for the corresponding property. Due to material uncertainty about the long-term effects of Covid-19 on the economy in general, it is more difficult to assess future cash flows and valuation yields for Pandox's hotel properties. Pandox's assessment is that the effects on valuation yields cannot yet be established as, under the current circumstances, there is still insufficient evidence in the hotel properties' transaction market. Due to the uncertainties, cash flow forecasts were prepared in a different way than in the past, involving using 2019 levels as a baseline to estimate a gradual recovery, also taking into account the trends that have been noted so far in various markets. External valuation is used as an important reference point and Pandox has an internal process to quality assure the external valuations when they are performed. This internal quality assurance process includes analysis and control of input data from the company for the valuation models pertaining to such aspects as rent levels, space and general analysis of value growth per property. The valuations are examined both at the central level and in cooperation with the heads of business areas. This is done to check if any parameter used in Pandox's own valuation as a basis for financial reporting needs to be updated. The significance of the estimates and judgements used in establishing the fair value, combined with the fact that when combined, small percentage differences in the individual properties' parameters can lead to material errors, means that the valuation of investment properties is a key audit matter.

How our audit addressed the key audit matter

Our audit focused, among other things, on the company's internal control and quality assurance that exists for both the internal and the externally performed valuations as of the date of the 2021 year-end accounts. Our audit procedures included the following:

- The group audit team, including our valuation specialists, obtained and examined a sample of the valuation reports and examined whether the valuation procedures follow the guidelines established by the board of directors for valuation and correct valuation methods.
- We evaluated the internal and external appraisers' competence and experience to determine whether there were any circumstances that would have impacted their objectivity or imposed any restrictions on their work.
- We also carried out random sampling to examine management's input data for the valuation models. We did this to determine whether the information used for property valuations is correct and accurate.
- We held meetings with those responsible for valuation processes where important assumptions and judgements were discussed. Our work focused on assessing and evaluating assumptions used, including valuation yields and estimated cash flows. We included in samples used for our audit the largest investment properties in the portfolio in monetary terms, the most significant assumptions and the properties where there were the greatest variations in value compared with previous quarters. We assessed the assumptions used with respect to yield requirements. We also assessed the reasonableness of other assumptions where there is no directly comparable published data available. In cases where the assumptions and parameters were beyond our initial expectations, these deviations were discussed with representatives of the company and additional audit evidence was obtained to support the assumptions made; and
- we compared disclosures included in the annual report against the requirements in IFRS 13 and found the requirements to have been met in all material respects.

The valuations are based on judgments and are by nature associated with inherent uncertainty. In light of the ongoing Covid-19 pandemic, the inherent uncertainty is expected to be greater than in previous years. Based on our audit we have determined that the assumptions used by Pandox are within a reasonable range. Based on our audit, we have no significant observations to report to the audit committee.

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Key audit matter

Financing and financial covenants

We refer the reader to the administration report and the description in Note G2 Financial risk and risk management.

As of 31 December 2021, the group has external loans of MSEK 32,752, equivalent to a loan-to-value ratio of 50 percent. Cash and cash equivalents plus unutilized credit facilities amounted to MSEK 3,576 as of this date. The group as a going concern is dependent on its future liquidity and financing, and compliance with the group's loan agreements and the related financial covenants that these agreements contain. The financial covenants are different from agreement to agreement and cover criteria such as i) loan-to-value ratio; and ii) interest coverage ratio. Pandox's dialogue and cooperation with its lenders are described on page 157. As of the date this annual report was issued, lenders had provided waivers in individual loan agreements where there would otherwise have been a risk of non-compliance with the agreement as of the closing date or where there was deemed to be a risk that this would be the case in the year ahead. Due to this, executive management has made the assessment that the liquidity and financing requirements are met for this year and the following year. Due to the impact the Covid-19 pandemic is having on the company's and the group's profits, and thereby also the ability to comply with financial covenants, financing and compliance with financial covenants is a key audit matter.

How our audit addressed the key audit matter

To assess the company's and the group's continuation as a going concern and whether the information in the annual report provides a fair representation of the future financing and liquidity requirements, we performed the following review procedures:

- We studied the reports provided by executive management to the board on anticipated effects of the Covid-19 pandemic on the business, and updated business plans and forecasts with respect to liquidity and financing requirements. We explored and assessed the reasonableness of material assumptions made by management and verified a random sample of information and calculations. We also performed a sensitivity analysis to evaluate the underlying assumptions in the cash flow forecasts.
- On a random sample basis, we checked compliance with financial covenants against loan agreements and the current situation and obtained waivers from lenders in those cases where financial covenants have not been met to confirm compliance with loan agreements.
- We verified information provided on financing and financial covenants in Note G2 and elsewhere in the annual report against supporting documents.

The Covid-19 pandemic is having a significant impact on communities, organisations and the business run by Pandox. As described in Note G2 the company has various covenants where waivers have been obtained, but new waivers may be required in the future. In these cases, Pandox has made the assessment that waivers will be obtained if the situation should arise. This assessment is associated with uncertainty and the final outcome may be a different one. We have examined this area and included it in our report to the audit committee.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–116 and pages 174–190. The Board of Directors and the Managing Director are responsible for this other information. Information included in the “Pandox remuneration report 2021”, which is published on the company's website at the same time as this report, also constitutes other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other 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 Director's and the Managing Director

The Board of Directors and the Managing Director 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 Managing Director 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 Managing Director 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 Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things 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 assurance 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.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

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REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The auditor's examination of the administration of the company and the proposed appropriations of the company's profit or loss

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the Managing Director of Pandox AB for the year 2021 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 Director's and the Managing Director 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 Responsibilities 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 Director's and the Managing Director

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' equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization 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 organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibilities

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 Managing Director 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.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

The auditor's examination of the ESEF report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Pandox AB (publ) for the financial year 2021.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report 2c84daca16fdb6548312b0cc-07cbf76257c33db5a350e8150af3084f3949c4ec has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for Opinions

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Pandox AB (publ) 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 evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors and the Managing Director are responsible for ensuring that the Esef report has been prepared in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

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Auditor's responsibilities

Our responsibility is to form an opinion with reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the ESEF report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The reasonable assurance engagement involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of

Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The reasonable assurance engagement also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, statement of financial position, statement of changes in equity and the statement of cash flow.

PricewaterhouseCoopers AB, with Patrik Adolfson as the auditor-in-charge, was appointed auditor of Pandox AB (publ) by the general meeting of the shareholders on the 12 April 2021 and has been the company's auditor since 29 March 2017.

Stockholm, 7 March 2022
PricewaterhouseCoopers AB

Patrik Adolfson Linda Andersson
Authorised Public Accountant Authorised Public Accountant
Auditor-in-charge

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Pandox is applying IFRS 16 Leases from 2019 onwards. Comparative figures have not been restated.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Figures in MSEK	2021	2020	2019	2018	2017	2016	2015	2014	2013
Revenue, Property Management									
Rental income	2,279	2,228	3,017	2,809	2,121	1,717	1,431	1,418	1,523
Other property revenue	143	171	112	162	81	70	112	60	67
Revenue, Operator Activities	851	779	2,424	2,153	2,067	2,158	2,046	1,598	1,308
Net sales	3,273	3,178	5,553	5,124	4,269	3,945	3,589	3,076	2,898
Costs, Property Management	-395	-381	-365	-454	-321	-292	-263	-292	-313
Costs, Operator Activities	-1,151	-1,182	-1,993	-1,776	-1,743	-1,866	-1,767	-1,387	-1,200
Gross profit	1,727	1,615	3,195	2,894	2,206	1,787	1,559	1,397	1,385
Central administration	-157	-171	-175	-148	-124	-117	-94	-82	-64
Net financial items	-940	-900	-865	-803	-519	-456	-438	-536	-608
Financial expense for right-of-use assets	-88	-86	-81	—	—	—	—	—	—
Profit before changes in value	542	458	2,074	1,943	1,563	1,214	1,027	779	713
<i>Changes in value</i>									
Properties	-396	-1,779	1,459	1,495	1,914	1,460	1,399	1,197	375
Derivatives, unrealised	740	-221	-39	25	173	-39	203	-622	321
Profit before tax	886	-1,542	3,494	3,463	3,650	2,635	2,629	1,354	1,409
Current tax	-128	-57	-122	-216	-73	-72	-35	-16	-197
Deferred tax	-149	191	-672	-424	-429	-349	-463	-85	-264
Profit for the year	609	-1,408	2,700	2,823	3,148	2,214	2,131	1,253	948
Other comprehensive income for the year	740	-1,010	46	465	-185	359	-291	-3	-32
Comprehensive income for the year	1,349	-2,418	2,746	3,288	2,963	2,573	1,840	1,250	916

KEY RATIOS

Figures in MSEK	2021	2020	2019	2018	2017	2016	2015	2014	2013
Net operating income, Property Management	2,027	2,018	2,764	2,517	1,882	1,495	1,280	1,186	1,277
Net operating income, Operator Activities	-22	-168	625	540	494	439	416	320	210
EBITDA	1,868	1,699	3,215	2,909	2,252	1,817	1,603	1,425	1,424
Interest coverage ratio, times	2.1	2.0	4.1	3.8	4.4	4.0	3.6	2.6	2.3
Earnings per share, SEK	3.32	-7.61	15.91	16.83	19.89	14.65	14.21	8.35	6.31
Cash earnings	712	660	2,161	1,893	1,660	1,289	1,130	873	620
Cash earnings per share, before and after dilution, SEK	3.88	3.64	12.74	11.28	10.46	8.49	7.53	5.82	4.1
RevPAR (operating properties) for comparable units and comparable exchange rates	277	222	904	873	806	657	684	644	—

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Figures in MSEK	31 Dec 2021	31 Dec 2020	31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013
Assets									
Properties including equipment and interiors	60,246	57,555	60,558	52,949	48,217	36,578	29,463	25,701	26,161
Right-of-use assets	3,039	2,926	3,064	—	—	—	—	—	—
Other non-current assets	522	268	151	43	37	23	25	26	45
Deferred tax assets	249	631	383	465	613	748	800	924	733
Current assets	1,152	813	1,025	885	1,871	563	1,162	315	303
Cash and cash equivalents	1,593	2,622	632	674	999	517	170	321	589
Total assets	66,801	64,815	65,813	55,016	51,737	38,429	31,620	27,287	27,871
Equity and liabilities									
Equity	25,422	24,088	26,506	21,538	19,027	15,258	12,215	10,402	10,429
Deferred tax liabilities	4,281	4,307	4,552	3,430	3,026	2,582	2,281	1,993	1,708
Interest-bearing liabilities	32,623	31,452	29,621	27,917	26,298	18,841	15,546	12,907	14,575
Lease liabilities	3,042	2,928	3,064	—	—	—	—	—	—
Non-interest-bearing liabilities	1,433	2,040	2,070	2,131	3,386	1,748	1,578	1,985	1,159
Total equity and liabilities	66,801	64,815	65,813	55,016	51,737	38,429	31,620	27,287	27,871

KEY RATIOS

Figures in MSEK	31 Dec 2021	31 Dec 2020	31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013
Net interest-bearing debt, MSEK	31,159	29,007	29,191	27,421	25,474	18,324	15,376	12,587	13,986
Loan-to-value ratio, properties, %	49.8	48.7	46	49.7	50.8	47.9	49.5	48.7	55.5
Market value properties, MSEK	62,596	59,542	63,469	55,197	50,121	38,233	31,437	26,504	26,282
EPRA NRV per share, SEK	173.54	167.60	186.40	164.04	144.54	126.24	107.71	92.11	82.6
WAULT (investment properties), years	14.0	14.6	15.6	15.7	15.6	13.9	11.2	9.0	—

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Figures in MSEK	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Revenue, Property Management								
Rental income	606	617	541	515	523	563	502	640
Other property revenue	42	35	27	39	47	67	25	32
Revenue, Operator Activities	326	287	146	92	117	169	74	419
Net sales	974	939	714	646	687	799	601	1,091
Costs, Property Management	-106	-99	-98	-92	-92	-99	-79	-111
Costs, Operator Activities	-373	-334	-203	-241	-244	-266	-216	-456
Gross profit	495	506	413	313	351	434	306	524
Central administration	-52	-31	-37	-37	-41	-41	-42	-47
Net financial items	-227	-242	-239	-232	-227	-227	-220	-226
Financial expense for right-of-use assets	-21	-23	-23	-21	-21	-21	-22	-22
Profit before changes in value	195	210	114	23	62	145	22	229
<i>Changes in value</i>								
Properties, unrealised	97	-9	-105	-351	-533	-315	-320	-611
Properties, realised	-16	-6	—	-6	0	0	—	—
Derivatives, unrealised	187	202	24	327	109	51	-22	-359
Profit before tax	463	397	33	-7	-362	-119	-320	-741
Current tax	-78	-15	-23	-12	-2	-17	-11	-27
Deferred tax	-127	-61	-16	55	59	33	-1	100
Profit for the period	258	321	-6	36	-305	-103	-332	-668
Other comprehensive income	238	128	-258	632	-796	46	-920	660
Comprehensive income for the period	496	449	-264	668	-1,101	-57	-1,252	-8

KEY RATIOS

Figures in MSEK	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Net operating income, Property Management	542	553	470	462	478	531	448	561
Net operating income, Operator Activities	26	22	10	-80	-64	-39	-85	20
EBITDA	521	550	447	350	378	456	327	538
Interest coverage ratio, times	2.5	2.5	2.0	1.6	1.8	2.2	1.6	2.6
Earnings per share, SEK	1.41	1.73	-0.04	0.22	-1.63	-0.56	-1.79	-3.63
Cash earnings	195	270	162	85	129	194	75	262
Cash earnings per share, before and after dilution, SEK	1.07	1.45	0.88	0.49	0.73	1.06	0.42	1.43
RevPAR growth (Operator Activities) for comparable units and comparable exchange rates, %	319	92	103	-81	-89	-81	-92	-30

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Figures in MSEK	31 Dec 2021	30 Sep 2021	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020
Assets								
Properties including equipment and interiors	60,246	58,975	58,553	59,057	57,555	59,859	59,877	62,570
Right-of-use assets	3,039	3,009	2,975	3,016	2,926	3,071	3,051	3,176
Other non-current assets	522	514	500	423	268	84	85	108
Deferred tax assets	249	488	529	502	631	559	570	546
Current assets	1,152	1,086	939	893	813	1,261	1,008	893
Cash and cash equivalents	1,593	1,494	2,712	2,610	2,622	2,309	2,298	1,220
Total assets	66,801	65,566	66,208	66,501	64,815	67,143	66,889	68,513
Equity and liabilities								
Equity	25,422	24,941	24,492	24,756	24,088	25,189	25,246	26,498
Deferred tax liabilities	4,281	4,319	4,275	4,293	4,307	4,407	4,458	4,623
Interest-bearing liabilities	32,623	31,747	32,724	32,735	31,452	32,173	31,981	31,882
Lease liabilities	3,042	3,011	2,977	3,018	2,928	3,073	3,052	3,177
Non-interest-bearing liabilities	1,433	1,548	1,740	1,699	2,040	2,301	2,152	2,333
Total equity and liabilities	66,801	65,566	66,208	66,501	64,815	67,143	66,889	68,513

KEY RATIOS

Figures in MSEK	31 Dec 2021	30 Sep 2021	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020
Net interest-bearing debt, MSEK	31,159	30,387	30,159	30,288	29,007	30,056	29,878	30,862
Loan-to-value ratio, properties, %	49.8	49.6	49.7	49.5	48.7	48.5	48.0	47.2
Market value properties, MSEK	62,596	61,255	60,696	61,161	59,542	62,022	62,259	65,345
EPRA NRV per share, SEK	173.54	171.49	168.97	170.38	167.60	175.33	177.32	186.97
WAULT (investment properties), years	14.0	14.2	14.1	14.4	14.6	14.9	15.2	15.3

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Rounding off

Since amounts have been rounded off in MSEK, the tables do not always add up.

Net loan-to-value ratio, %

Interest-bearing liabilities, including arrangement fees for loans, less cash and cash equivalents, as a percentage of the properties' market value at the end of the period.

Gross profit, Property Management, MSEK

Revenue less directly related costs for Property Management.

Gross profit, Operator Activities, MSEK

Revenue less directly related costs for Operator Activities including depreciation in Operator Activities.

Cash earnings, MSEK

EBITDA plus financial income less financial expense, less financial expense for right-of-use assets according to IFRS 16, less current tax, adjusted for any unrealised translation effect on bank balances.

Net operating income, Property Management, MSEK

Net operating income corresponds to gross profit for Property Management.

Net operating income Operator Activities, MSEK

Gross profit for Operator Activities plus depreciation included in costs for Operator Activities.

Net operating margin, Operator Activities, %

Net operating income for Operator Activities as a percentage of total revenue from Operator Activities.

EBITDA, MSEK

Total gross profit less central administration (excluding depreciation).

EPRA NAV, MSEK

Recognised equity attributable to the Parent Company's shareholders, including reversal of derivatives, deferred tax assets related to derivatives, deferred tax liabilities related to properties and revaluation of operating properties.

EPRA NRV, MSEK

Recognised equity attributable to the Parent Company's shareholders, including reversal of derivatives, deferred tax assets related to derivatives, deferred tax liabilities related to properties and revaluation of operating properties.

EPRA NTA, MSEK

Recognised equity attributable to the Parent Company's shareholders, including reversal of derivatives, deferred tax assets related to derivatives, deferred tax liabilities related to properties and revaluation of operating properties.

EPRA NDV, MSEK

Recognised equity attributable to the Parent Company's shareholders, including revaluation of operating properties.

Average interest on debt, %

Average interest expense based on interest rate maturity in respective currencies as a percentage of interest-bearing liabilities.

Investments, excl. acquisitions, MSEK

Investments in non-current assets excluding acquisitions.

Net interest-bearing debt, MSEK

Current and non-current interest-bearing liabilities plus arrangement fees for loans less cash and cash equivalents and short-term investments that are equivalent to cash and cash equivalents. Non-current and current lease liabilities according to IFRS 16 are not included.

Interest coverage ratio, times

EBITDA less financial expense for right-of-use assets divided by net interest expense, which consists of interest expense less interest income.

Growth in EPRA NRV (net asset value growth), annual rate, %

Accumulated percentage change in EPRA NRV, with dividends added back and issue proceeds deducted, for the immediately preceding 12-month period.

Growth for comparable units, adjusted for currency effects, %

Growth measure that excludes effects of acquisitions, divestments and reclassifications, as well as exchange rate changes.

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► Financial definitions, cont.

PER SHARE
Cash earnings per share, SEK

EBITDA plus financial income less financial expense less current tax, after minority interests, less financial expense for right-of-use assets according to IFRS 16, adjusted for any unrealised translation effect on bank balances, divided by the weighted average number of shares outstanding.

EPRA NAV, NRV, NTA, NDV (net asset value) per share, SEK

EPRA NAV, NRV, NTA, NDV divided by the total number of shares outstanding after dilution at the end of the period.

Earnings per share, SEK

Profit for the period attributable to the Parent Company's shareholders divided by the weighted average number of shares outstanding.

Comprehensive income per share, SEK

Comprehensive income for the period attributable to the Parent Company's shareholders divided by the weighted average number of shares outstanding after dilution at the end of the period.

Dividend per share, SEK

Proposed/approved dividend for the year divided by the weighted average number of shares outstanding after dilution at the end of the period.

Weighted average number of shares before dilution, thousands

The weighted average number of shares outstanding taking into account changes in the number of shares outstanding, before dilution, during the period.

Weighted average number of shares after dilution, thousands

The weighted average number of shares outstanding taking into account changes in the number of shares outstanding, after dilution, during the period.

Other definitions and terms

PROPERTY INFORMATION
Number of hotels

Number of owned hotel properties at the end of the period.

Number of rooms

Number of rooms in owned hotel properties at the end of the period.

Market value properties, MSEK

Market value of investment properties plus market value of operating properties.

RevPAR for operating properties (comparable units at constant exchange rates), SEK

Revenue per available room, i.e. total revenue from sold rooms divided by the number of available rooms. Comparable units are defined as hotel properties that have been owned and operated during the entire current period and comparative period. Constant exchange rates is defined as the exchange rate for the current period, with the comparison period being restated based on that rate.

WAULT (investment properties)

Weighted average unexpired lease term across the property portfolio, weighted by normalised rental income level (pre-coronavirus).

OTHER TERMS
Compression night

The term compression night is used to describe particularly profitable guest nights in the hotel market, which occur when the occupancy rate in a certain hotel market is 90 percent or higher.

IATA (International Air Transport Association)

IATA manages international rules for commercial passenger aviation, mainly through standardisation of e.g. tickets, airport codes and airline codes.

OTA – Online Travel Agency

Online companies whose websites permit consumers to book various travel-related services.

UNWTO – United Nations World Tourism Organization

Multilateral institution promoting tourism with headquarters in Madrid. The organisation was formed at the initiative of the United Nations.

WTTC – World Travel & Tourism Council

A global association that brings together significant actors in travel and tourism. The WTTC works to increase awareness about travel, tourism and hospitality which together account for more than 10 percent of global GDP and employ close to 300 million people.

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Governance

Pandex is a Swedish public limited company, which means that its corporate governance is based primarily on the rules set out in the Swedish Companies Act and on internal instructions and policies. Pandex follows the Swedish Corporate Governance Code and the Nasdaq Rule Book for Issuers.

A year in which strength was decisive

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2021 was another challenging and turbulent year. The new year began as the old one had ended – with severe restrictions and very low demand in the hotel market. As the infection situation improved, the pace of vaccination programmes increased and the most severe restrictions were eased, demand slowly began to pick up again at the start of the second quarter. After the UK pushed ahead with phasing out many restrictions on 17 May – a date of particular significance to all Norwegians – demand really took off. It was against the background of this new dawn that we suffered the huge shock of Anders Nissen’s tragic passing on 30 May.

Crisis management was challenging but sound

Anders Nissen’s death was a great loss on both a professional and a personal level. It is impossible to underestimate Anders’ contribution to Pandox. He was a forward-looking captain who steered the ship knowing the value of skilled employees and a strong organisation. This became very clear following Anders’ death. As soon as the tragic news broke, my inbox and mobile filled up with messages from employees expressing their grief – but also how determined they were to continue developing Pandox in the spirit that Anders represented. It created a great sense of security in a very difficult situation.

During the year the Board of Directors has had many difficult and time-consuming matters to deal with. There was the recruitment of a new CEO and CFO, as well as ongoing management of the Covid-19 crisis from an operational and strategic perspective. With Anders’ death, of course, the recruitment of a new CEO and a new CFO became the priority activities.

New CEO and CFO in place

Following a systematic recruitment process and careful deliberation, the Board appointed Liia Nõu – Acting CEO since 21 May 2021 and Pandox’s CFO since 2007 – as the Company’s new CEO on 23 August 2021. Liia is a modern leader with many years of experience in the hotel property market and is a person in whom both the Board and the organisation have very great confidence. The Board sees Liia Nõu as the person who can best achieve the required balance between Pandox’s need for both continuity and change. Liia also retained her responsibilities as CFO until Anneli Lindblom took up her position as the new CFO on 1 December 2021. In Liia and Anneli the Board has secured a very strong leadership duo who – along with other employees – will pilot Pandox safely out of the pandemic.

Other important areas that remained in focus in 2021 were



the tenants’ ability to pay, Pandox’s cost levels, the value of hotel properties, investments and, not least, internal and external communication. The Board has also provided active support to executive management on banking and financing matters, particularly through the Finance Committee.

Many interests to balance

Pandox is a pan-European hotel property company interfacing with many different stakeholders in multiple countries. In a crisis of this magnitude there are many difficult decisions that must be made, not least in balancing tough discussions on rent in the short term with constructive dialogue on continuing profitable partnerships in the longer term. We have great respect and understanding for the difficult position that Pandox’s business partners are in because we share the same market. Through its business model, with a majority of revenue-based leases and the hotels we operate ourselves, Pandox has direct exposure to the hotel market. Through its hotel properties, Pandox is an important part of the tourism and travel industry infrastructure. Pandox’s fixed rents and contractual minimum rents cover the adminis-

tration costs and capital costs of the hotel properties, providing the foundation required to run hotel operations.

Sustainability increasingly important

In recent years Pandox has moved up a gear in its sustainability efforts. The Company has a clear agenda that is being driven forward with great commitment and a clear business focus. Sustainability is a key matter for the Board and will be an important driver of Pandox’s operational and financial development in the long term. Examples of projects that the Board considers to be of particular importance include the green investment programme, BREEAM certification of hotel properties, and the importance of diversity and inclusive workplaces. Green financing is also an area of interest, with potentially positive financial effects for Pandox.

A strong position for value creation

Pandox holds a strong position in the hotel property market, which secures good opportunities to be part of future growth in the hotel market and also to create our own growth. The recovery that we saw in the second half of 2021 shows that individuals and companies are keen to travel and stay at hotels when restrictions are lifted. The underlying growth in the hotel market is strong and I am convinced that Pandox will once again generate substantial value.

I would like to express my gratitude to Pandox’s employees, shareholders, Nomination Committee, Board and business partners for their solid combined efforts in 2021.

It is my firm conviction that Team Pandox is well equipped and ready for a better 2022.

Oslo, March 2022
Christian Ringnes

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This page and the subsequent pages 182–190 constitute the Company’s Corporate Governance Report and have not been audited by the Company’s external auditor.

Good corporate governance is about ensuring that a company is managed as responsibly and efficiently as possible on behalf of the shareholders. Corporate governance determines how rights and responsibilities are distributed among a company’s various bodies in accordance with internal processes and the laws and regulations in effect. Pandox AB (publ) is a Swedish public limited company with shares listed on Nasdaq Stockholm. Corporate governance within Pandox is based on Swedish laws, the Articles of Association, the Nasdaq Rule Book for Issuers and the Swedish Corporate Governance Code (“the Code”). The Code is available at www.corporategovernanceboard.se and describes good practices in the stock market. Pandox complies with the Code with no deviations.

In 2021 no breaches of applicable stock market rules or of good practices in the stock market were reported by Nasdaq Stockholm’s Disciplinary Committee or by the Swedish Securities Council in relation to Pandox.

SHAREHOLDERS AND THE SHARE

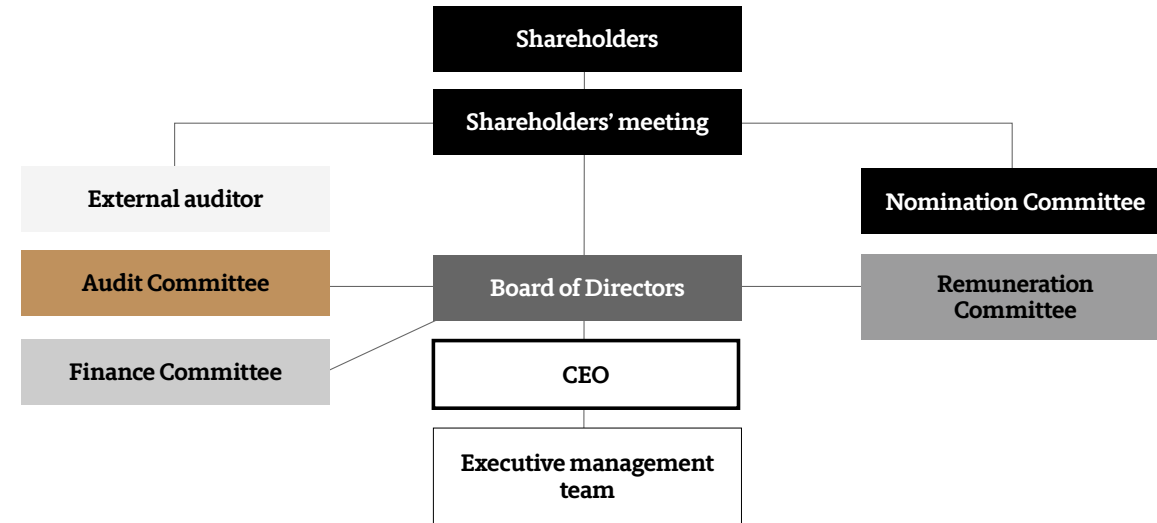
The Pandox class B share was listed on Nasdaq Stockholm on 18 June 2015 in the Large Cap segment. The Company’s share capital amounted to SEK 459,624,998 as of 31 December 2021, distributed across 75,000,000 class A shares and 108,849,999 class B shares. Each class A share entitles the holder to three votes at shareholders’ meetings, while each class B share entitles the holder to one vote at shareholders’ meetings.

Pandox’s Articles of Association contain a conversion clause and a pre-emption clause for Pandox’s class A shares. All class B shares are transferable without restriction.

At the end of 2021 the following shareholders had direct or indirect ownership representing 10 percent or more of the voting rights for all shares in the Company:

Holding on 31 December 2021	% of votes
Eiendomsspar AS	37
Helene Sundt AB	18
Christian Sundt AB	18

Overall corporate governance structure



At year-end the Company’s market capitalisation, calculated for both class A and class B shares, amounted to MSEK 26,842 (26,658).

➤ More information about the Pandox share and the ownership structure is available on pages 32–35 and on Pandox’s website pandox.se.

➤ See page 119 in the Administration Report for a description of change of control clauses.

SHAREHOLDERS’ MEETING

The shareholders’ meeting is Pandox’s highest decision-making body. At the Pandox AGM the shareholders exercise their right to vote on key issues, such as adoption of the income statements and balance sheets, appropriation of the Company’s profit, discharging the board members and the Chief Executive Officer from liability, election of board members and auditors, and on fees for board members and auditors. The active participation of the shareholders at Pandox’s shareholders’ meetings provides the basis for a good balance of power between the owners, the Board and executive management.

Pandox’s Board of Directors is to convene extraordinary shareholders’ meetings if a group of minority shareholders holding at least one tenth of all shares in the Company, or the Company’s auditor, requests such a meeting. The Board of Directors may also convene an extraordinary shareholders’ meeting on its own initiative. Resolutions at shareholders’ meetings are normally passed by a simple majority. According to the Articles of Association, notice of shareholders’ meetings is to be issued through an announcement in Post- och Inrikes Tidningar (Sweden’s official gazette) and published on Pandox’s website pandox.se. An announcement is also to be placed in the Swedish national daily newspaper Svenska Dagbladet, to inform the public that a notice has been issued.

Once the date and location of the shareholders’ meeting has been established, the details are to be published on Pandox’s website no later than in connection with the third quarter interim report. The 2022 AGM will be held in Stockholm on 12 April 2022.

Shareholders wishing to participate in a meeting must be listed in the register of shareholders maintained by Euroclear

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Sweden and must register with Pandox to participate in the shareholders' meeting in the way indicated in the notice of the meeting. Shareholders may attend the meetings in person or by proxy and may also be assisted by no more than two people (the number of assistants is to be indicated when registering to attend). Shareholders may normally register in a number of ways to attend shareholders' meetings. This is described in more detail in the notice of the meeting. Shareholders are entitled to vote for all of the shares they hold.

Shareholders wishing to have a matter placed on the agenda of the shareholders' meeting are required to submit a written request to Pandox's Board of Directors. Requests are to be received by the Board of Directors no later than seven weeks before the meeting. For the 2022 AGM such requests are to have been received by the Board no later than 22 February 2022.

Annual General Meeting 2021

Pandox's last Annual General Meeting took place on 12 April 2021 in Stockholm. As part of the efforts to prevent the spread of Covid-19 the Board resolved that the 2021 AGM should be held solely by advance voting, with no shareholders, proxies or external parties attending in person. On the basis of temporary legislation, Pandox encouraged all shareholders to exercise their voting rights at the AGM by voting in advance.

At the 2021 AGM, resolutions passed included the following:

- Adoption of the income statement and balance sheet, and of the consolidated income statement and consolidated balance sheet
- Appropriation of the Company's profit according to the adopted balance sheet and that no dividend be paid to shareholders
- Re-election to the Board of Christian Ringnes (Chair), Jakob Iqbal, Jon Rasmus Aurdal, Ann-Sofi Danielsson, Bengt Kjell and Jeanette Dyhre Kvisvik
- Fees for the Board: SEK 820,000 to the Chair, SEK 620,000 to the Vice Chair and SEK 410,000 to each of the other members
- Fees for the Audit Committee: SEK 150,000 for the chair of the Audit Committee and SEK 75,000 to each of the other members
- Fees for the Remuneration Committee: SEK 50,000 to be paid to the two members of the committee

- Fees for the Finance Committee: SEK 150,000 to the chair of the committee and SEK 75,000 each to the other two members of the committee
- Re-election of auditor: accounting firm PwC with Patrik Adolfsen as auditor-in-charge
- Amendment of the Articles of Association
- Authorisation for the Board of Directors to issue new shares amounting to a maximum of 10 percent of the total number of shares outstanding
- Approval of remuneration report
- Adoption of principles for appointing the Nomination Committee in advance of the 2022 Annual General Meeting

The full minutes of shareholders' meetings are available on Pandox's website.

BOARD OF DIRECTORS

Pandox's Board of Directors is responsible for the Company's administration and organisational structure. This includes the following:

- Establishing Pandox's overall objectives and strategies
- Appointing, evaluating and, if necessary, dismissing the CEO
- Ensuring effective monitoring and control systems for Pandox's business
- Ongoing evaluation of performance and financial position
- Ensuring that the annual reports and interim reports are correct, reliable and relevant

Board members are elected at the AGM for the period until the conclusion of the following AGM. According to Pandox's Articles of Association, the Board of Directors, to the extent it is elected by the shareholders' meeting, is to consist of at least four and not more than eight members with no deputies.

The Chair of the Board of Pandox is elected by the AGM. The Chair is responsible for ensuring that the Board's work is well-organised and efficient.

The Board works according to written work procedures which are revised annually and adopted at the statutory board meeting. The work procedures regulate, among other things,

types of meetings, functions and the distribution of duties between the board members and the CEO. In conjunction with the statutory meeting the Board also adopts instructions for the CEO as well as instructions for financial reporting.

The Board holds meetings based on a schedule established annually, normally aligned with Pandox's strategy and budget process as well as the Company's financial calendar. Additional board meetings may be convened to manage time-critical issues that require board decisions, such as on acquisitions, divestment and raising capital.

In addition to the board meetings, the Chair and the CEO meet continually to discuss Pandox's governance and management. The Board evaluates the work of the CEO on an ongoing basis.

The Board of Directors has an Audit Committee, a Finance Committee and a Remuneration Committee to assist it in its work.

📖 *Other duties of Pandox's Board of Directors and CEO are described on pages 189–190.*

Work of the Board of Directors

2021 was another challenging year for Pandox due to the effects of Covid-19. This required extensive and ongoing engagement from the Board of Directors, particularly in matters relating to profitability, financing and risk. During the year the Board also worked on Pandox's strategy and business plan, budget, trends in the hotel market, general risk analysis and the recruitment of a new CEO and CFO.

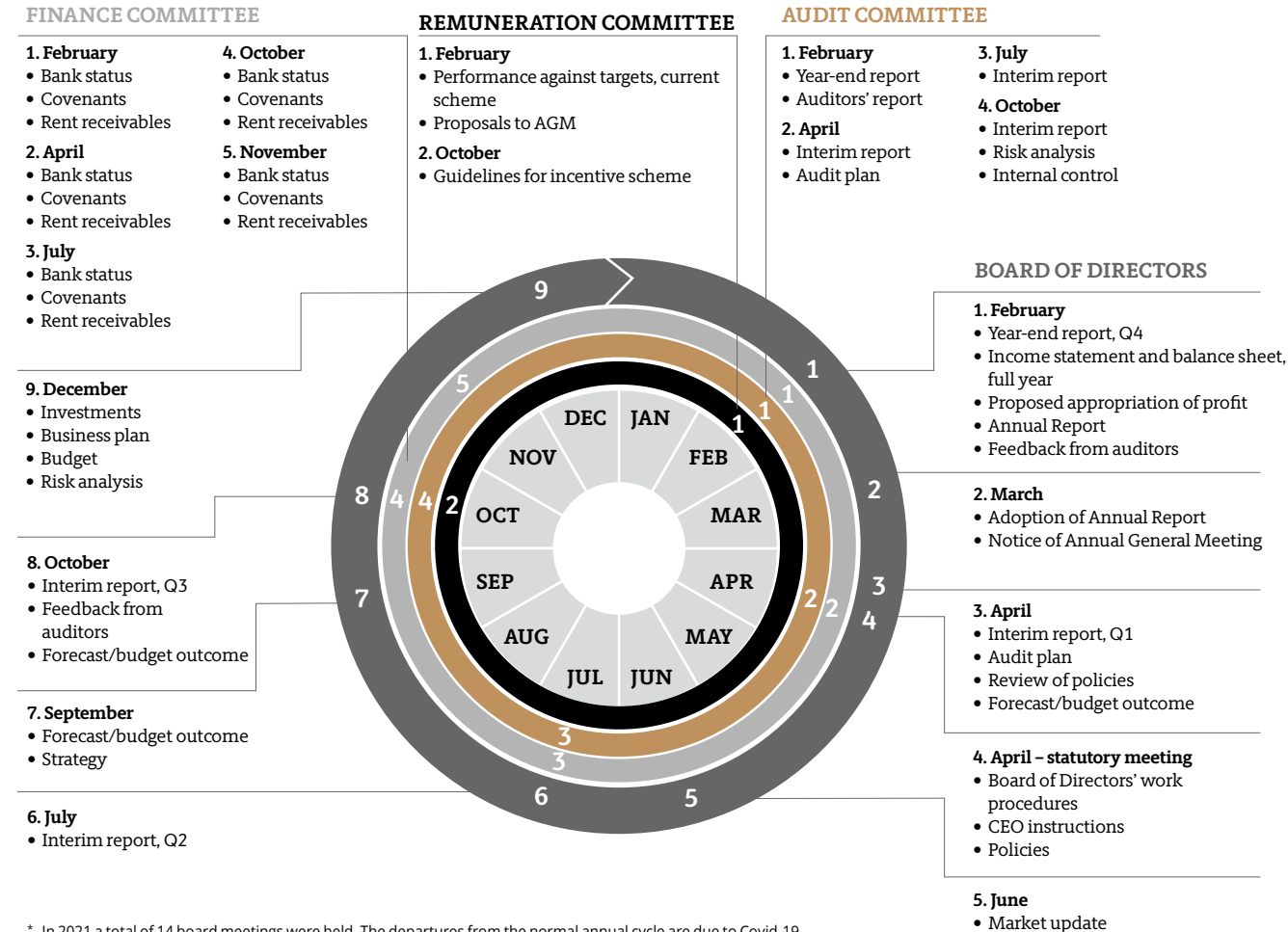
The Board held 14 meetings during the year, one of which was the statutory meeting. At the statutory board meeting Bengt Kjell was re-elected as Vice Chair of the Board.

The Board conducts an annual evaluation of its work methods and procedures to ensure that the Board has the requisite expertise and efficient processes for good decisions. The result of the evaluation is reported to the Nomination Committee and provides substantive information on which the Committee can base its work. The Board has determined that the members have appropriate and complementary expertise taking into account Pandox's operations, and this opinion is shared by the Nomination Committee.

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Board duties, normal annual cycle*



* In 2021 a total of 14 board meetings were held. The departures from the normal annual cycle are due to Covid-19.

In 2021 Pandox's Nomination Committee conducted interviews with all of the Board members and with the CEO. The conclusion was that the Board is working efficiently and that the members complement each other's strengths.

The Nomination Committee applied rule 4.1 of the Code as a diversity policy when preparing its proposal for the Board of Directors, the objective being for the Board to be composed of members of varying ages, genders and geographical origins, and to represent a range of educational and professional backgrounds.

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

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

Audit Committee

On 12 April 2021 Pandox appointed an Audit Committee consisting of Ann-Sofi Danielsson (chair), Bengt Kjell and Jon Rasmus Aurdal. The Audit Committee's duties, without affecting the Board's general responsibilities and duties, include overseeing Pandox's financial reporting and the efficiency of Pandox's internal control and risk management, staying informed about the audit of the annual accounts and consolidated accounts, reviewing and monitoring the auditor's impartiality and independence, and paying particular attention when the auditor provides Pandox with services other than audit services, as well as assisting in drafting proposals for the election of auditors at the AGM. The Audit Committee also examines the Annual Report and interim reports and oversees the audit. The Audit Committee does not perform any auditing tasks.

In 2021, in addition to examining Pandox's external financial reporting, the Audit Committee analysed and assessed Pandox's economic, financial and reporting risks on an ongoing basis with a particular focus on revenue, profit, property valuation and the financial position taking into account Covid-19.

The Audit Committee also continued to deal with matters relating to internal control, in terms of structure, tools, organisation and self-assessment. The assessment is that Pandox's work on risk and control was strengthened further through improved

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IMPORTANT POLICIES AND CODES

	Contents
Financial Policy	Principles and rules for financial activity
Insider Policy	Rules and guidelines for managing insider information
Internal and External Privacy Policy	Rules and information on Pandox's processing of personal data
IT and Data Security Policy	Principles and rules for how IT activities are to be conducted and data security ensured
Communication Policy	Principles and rules for internal and external communication
Environmental Policy	Rules and guidelines for Pandox's environmental responsibilities
Code of Conduct for business partners	Principles and requirements relating to Pandox's business partners
Code of Conduct for employees	Principles and requirements relating to Pandox's employees
Anti-corruption Policy	Principles and requirements relating to Pandox's employees and anti-corruption measures
Human Rights Policy	Pandex's principles and requirements relating to human rights
Guidelines for Whistleblower Service	Describes how employees and external stakeholders can report suspected irregularities
Guidelines for Crisis Communication	Describes how Pandox communicates internally and externally in crisis situations

PANDOX'S BOARD OF DIRECTORS AND COMMITTEES IN 2021

Name	Fees, SEK 000s	Attendance at meetings				Independent of the Company ¹⁾	Independent of owners ²⁾
		Board of Directors	Audit Committee	Remuneration Committee	Finance Committee		
Christian Ringnes, Chair	945	14 of 14		2 of 2	5 of 5	Yes	No
Jakob Iqbal	460	14 of 14		2 of 2		Yes	No
Jon Rasmus Aurdal	560	14 of 14	4 of 4		5 of 5	Yes	No
Ann-Sofi Danielsson	560	14 of 14	4 of 4			Yes	Yes
Bengt Kjell, Vice Chair	845	14 of 14	4 of 4		5 of 5	Yes	Yes
Jeanette Dyhre Kvisvik	410	13 of 14				Yes	Yes

¹⁾ Independent in relation to the Company and the executive management team.

²⁾ Independent in relation to the Company's major shareholders.

procedures, controls and systems, and support provided by the Finance Committee (see below).

In 2021 the Audit Committee held four meetings for which minutes were kept and reported to the Board of Directors.

Remuneration Committee

Pandex has a Remuneration Committee consisting of two members: Christian Ringnes (chair) and Jakob Iqbal.

Remuneration Committee duties:

- Preparing for board decisions on remuneration principles and on remuneration and other employment terms for the executive management team.
- Monitoring and evaluating ongoing programmes and programmes concluded during the year for variable remuneration to the executive management team.
- Monitoring and evaluating the application of remuneration guidelines for senior executives that were approved by the AGM, and the applicable remuneration structures and compensation levels within the Company.
- Reviewing and preparing proposals on all share-related incentive schemes to put before the executive management team.

During the year the Remuneration Committee paid special attention to matters relating to salaries and other remuneration for the CEO and executive management team. In addition, any matters concerning incentive schemes for key individuals at Pandox are addressed.

In 2021 the Remuneration Committee held two meetings for which minutes were kept and reported to the Board of Directors.

Finance Committee

On 12 April 2021 the Board appointed a Finance Committee consisting of board members Bengt Kjell (chair), Christian Ringnes and Jon Rasmus Aurdal. Pandox's executive management has the right to participate in discussions but not in decisions and was represented at the Committee's meetings by the CEO and CFO, among others. The Committee discusses matters of particular significance for Pandox's financial position, such as rent payments and the fulfilment of conditions in credit agree-

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ments. Experience of the Finance Committee’s work has been good and the Board has again proposed that the Nomination Committee reviews the need for a Finance Committee again in 2022, and that if established the Board members concerned are paid fees at the same level as for the Audit Committee.

In 2021 the Finance Committee held five meetings at which minutes were kept and reported to the Board of Directors.

Chief Executive Officer and other senior executives

The Chief Executive Officer (CEO) reports to the Board of Directors and is responsible for Pandox’s day-to-day administration and operations. The allocation of duties between the board members and the CEO is described in Pandox’s work procedures for the Board and instructions for the CEO. Actions that are of an extraordinary nature or that are particularly significant are not considered part of the day-to-day administration and the CEO must prepare information on them and present this to the Board of Directors. The CEO is also responsible for preparing reports and compiling information in advance of board meetings, and presents these materials at the board meetings.

According to the financial reporting instructions, the CEO is responsible for Pandox’s financial reporting and must ensure that the Board receives sufficient information from which to evaluate Pandox’s financial position at all times.

The CEO is to keep the Board continuously informed about Pandox’s performance in terms of revenue and earnings, financial position, liquidity and credit status, important business events and about every other event, circumstance or situation that may be assumed to be of material importance for Pandox’s shareholders.

Audit

Pandox’s auditors are appointed by the shareholders’ meeting and are to examine the Company’s Annual Report and accounting records as well as the administration of the Company by the Board and the CEO. After each financial year, the auditor must submit an audit report for Pandox’s Parent Company and the Pandox Group to the Annual General Meeting. The auditors are appointed by and report to the shareholders’ meeting and are

not to allow themselves to be influenced in their work by Pandox’s Board or executive management team.

The auditors are also responsible for reporting on any instance where a board member or the CEO has been guilty of negligence or has acted in a way that may result in compensation liability.

According to Pandox’s Articles of Association, Pandox is to have two auditors and two deputy auditors or one authorised accounting firm as auditor. At the request of the Audit Committee, in 2017 Pandox carried out an auditor procurement process which resulted in the Nomination Committee’s proposal to elect the accounting firm of PwC as the Company’s new auditor, and this was approved at the 2017 AGM. The 2021 AGM re-elected PwC, with authorised public accountant Patrik Adolfsen as auditor-in-charge.

🔗 *Pandox’s auditor is presented on page 189.*

The Board of Directors meets with Pandox’s external auditors, without executive management being present, at least once a year to receive and address the auditors’ opinions.

The Audit Committee also meets the auditors on a regular basis to be informed about and address their opinions on the interim reports and the Annual Report, the results of the auditor’s scrutiny of internal control over financial reporting and to address other issues.

Pandox has no specific internal audit department. The Board evaluates the need for such a department on an annual basis.

Nomination Committee

The Nomination Committee is a body of the shareholders’ meeting and is responsible for submitting proposals for the election of the Chair and other members of the Board, as well as on fees and other remuneration for board assignments for each of the board members. The Nomination Committee is also to provide proposals for the election and compensation of auditors in consultation with the Audit Committee, as well as for the Nomination Committee’s composition and how it is convened.

In accordance with a decision at Pandox’s 2021 AGM, the Nomination Committee, in preparation for the 2022 AGM, is to consist of the Chair of the Board and members appointed by the

four largest shareholders in terms of voting rights as of 31 July 2021, according to the register of shareholders kept by Euroclear Sweden. The Chair of the Board of Pandox AB is also responsible for convening the first meeting of the Nomination Committee. If a shareholder with the right to appoint a member of the Nomination Committee relinquishes that right, the right to appoint a member is transferred to the largest shareholder who has not previously had the right to appoint a member of the Nomination Committee. Helene Sundt AB and Christian Sundt AB are represented by the same member of the Nomination Committee. The member appointed by the largest shareholder in terms of voting rights is to be appointed as chair of the Nomination Committee. The composition of the Nomination Committee is to be announced no later than six months before the next AGM. No fees are payable.

On 20 September 2021 Pandox announced that the Nomination Committee had been appointed in accordance with principles adopted by the AGM and consisted of the following:

- Anders Rysdal, Eiendomsspar AB (Nomination Committee chair)
- Christian Ringnes, Chair of the Board of Pandox AB
- Leiv Askvig, Helene Sundt AB and Christian Sundt AB jointly
- Dick Bergqvist, AMF
- Camilla Wirth, Alecta

When preparing its proposal for the election of the Board of Directors the Nomination Committee applies what is stated in section 4.1 of the Swedish Corporate Governance Code as a diversity policy and as its objectives in this regard.

Shareholders wishing to submit proposals to the Nomination Committee may do so by email to valberedningen@pandox.se or by post to Pandox AB, Valberedning, PO Box 15, SE-101 20 Stockholm.

The Nomination Committee’s proposals to the 2022 AGM are:

- Proposal for election of members of the Board of Directors
- Proposal for election of auditor
- Principles for appointing the Nomination Committee in advance of the 2023 Annual General Meeting

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The Nomination Committee’s proposals have been published in the notice of the 2022 AGM and on Pandox’s website. The AGM will be held on 12 April 2022 in Stockholm.

INTERNAL CONTROL AND FINANCIAL REPORTING

According to the Swedish Companies Act and the Code, Pandox’s Board of Directors is responsible for the Company’s internal control. This report has been prepared in accordance with the Annual Accounts Act and the Code and is mainly intended to describe internal control and risk management with respect to financial reporting.

The framework used as a basis for Pandox’s work on and description of internal governance and control is COSO, the Committee of Sponsoring Organizations of the Treadway Commission. COSO provides a structure for internal control based on five components: control environment, risk assessment, control activities, monitoring activities, and information and communication.

Control environment

The Board of Directors has overall responsibility for ensuring good internal control and effective risk management. Every year the Board of Directors adopts work procedures that define the Board’s responsibilities and the distribution of duties among the board members. The Board exercises its control primarily by annually adopting policy documents, CEO instructions, delegation rules, instructions for financial reporting, business targets and strategies, as well as business plans and a budget.

The control environment provides a basis for good internal control over financial reporting. Pandox works continually to define, document and adapt an organisational structure, decision paths, responsibilities and powers that strengthen Pandox’s corporate culture and control environment.

Risk assessment

🔗 See the section on Risk on pages 108–114 and the Sustainability Report on page 56.

Risk assessment with respect to financial reporting involves identifying the procedures and income statement and balance sheet items in which there is a risk that errors, incomplete infor-

mation or irregularities may arise if there is insufficient control built into the routines. Risk assessment includes analysing whether any errors could occur and if so, how they may occur and in which part of the process. Pandox’s risk assessment has identified items where the risk of significant errors is the highest. These are items involving substantial transactions or where the processes are highly complex and require strong internal control.

An assessment of the risk of errors in financial reporting is performed annually for each line in the income statement, statement of financial position and cash flow statement. For items that are significant and/or associated with an elevated risk of errors, special procedures are employed to minimise the risks. The three main areas of risk are:

- Property valuation
- Financing activities
- Investment and renovation programmes

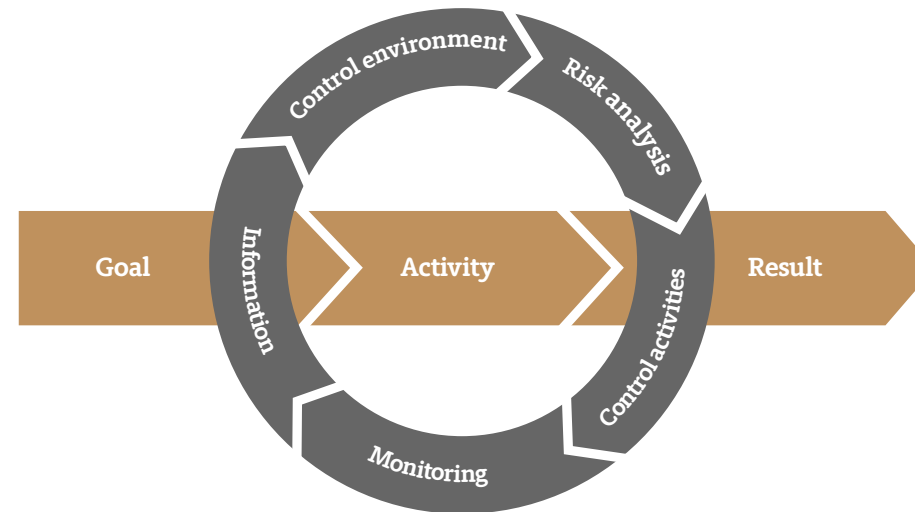
Pandox has a well-established operational risk model (the Pandox Method). It is used to evaluate and document identified risks associated with the hotel properties and is an important part of Pandox’s overall work on risk. Based on an individual business plan for each hotel property, it creates the conditions for increased cash flow and lower risk. The risk model also provides knowledge that can be beneficial when pursuing business opportunities.

The four parts of the Pandox Method are:

- Market analysis
- Marketing strategy
- Profitability optimisation
- Agreement optimisation

There is an individual business plan for each hotel property. Twice a year a review of all the hotels and properties is performed and the business plan is updated based on the Pandox

Pandox’s model for internal control



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Method. Recurring operational risk areas are revenue/occupancy, property operation/maintenance, lease issues and investments. The most significant risks are documented in a “Hot Pile” and, where relevant, are followed up at monthly executive management meetings. Topics discussed at these meetings include any impact from macroeconomic forces, the hotel market cycle, geographic exposure and operator/brand exposure, hotel demand, supply of new capacity, competitors etc.

In view of the Covid-19 pandemic, property valuation continued to be a focus area for management as well as for the Board and its committees in 2021.

📄 *Further information on property valuation can be found on pages 148–151.*

In its role as an active hotel property owner and in cooperation with its lease partners, Pandox makes every effort to identify joint investment and renovation programmes to ensure that the hotels are competitive and play a part in increasing cash flow. Pandox takes a long-term perspective and has a structured process for managing, implementing and following up on investments. Pandox normally works according to three- to five-year maintenance plans and implements specific projects for cash flow-driving investments. For investments exceeding MSEK 10, a memorandum is submitted to the Board for approval. An investment budget is established every year in connection with the preparation of the budget and business plan, which is adopted by the Board of Directors and adjusted on a quarterly basis. The outcome of the investments is monitored in relation to the budget and reported to the Board.

Interest expense is Pandox’s largest expense item. Interest expense is affected by market interest rates and by credit institution margins, as well as by Pandox’s strategy with respect to fixed interest rates. With a fairly high proportion of loans in foreign currency, interest expense is also affected by fluctuation in exchange rates.

The majority of Pandox’s credit facilities have a variable rate of interest. Interest rate derivatives – mainly interest rate swaps – are used to manage interest rate risk and increase the predictability of Pandox’s earnings. Variable interest rates are partially swapped through interest rate swaps, giving Pandox fixed interest rates. Pandox’s Board establishes the risk mandate. The risk mandate is reflected in Pandox’s Financial Policy and ensures that the Company has access to long-term financing. The Financial Policy is updated annually by the Board of Directors. Pandox works closely with its lenders and external experts to ensure that the Company plans well in advance with respect to its financing requirements.

In connection with Pandox’s annual strategy and budgetary work the executive management team presents a chart of the Group’s top risks to the Board of Directors.

Control activities

To avoid errors, a number of control activities have been implemented to ensure that control objectives are achieved. Pandox’s most important financial processes, such as closing the accounts, consolidation, monitoring results and reporting, have been documented in a Financial Handbook. The control measures involve guaranteeing the quality of financial reporting.

All of the key controls implemented by the Group companies in respect of financial reporting are documented in a self-assessment template used to report to the corporate level. The self-assessment template is monitored, adapted and evaluated at the corporate level, thereby strengthening the control environment within the Group.

The CFO and the Business Intelligence and Group Accounting & Control departments are all responsible for creating the environment required to achieve transparent and accurate financial reporting. Pandox’s executive management and the Board also fill an important control function with respect to the external financial reporting process.

Monitoring activities

Pandox monitors performance in relation to both operational and financial targets on a monthly basis. The performance follow-up meetings are attended by the CEO, CFO, Business Intelligence, Group Accounting & Control and the heads of the business areas. Material differences are investigated immediately by the CFO and significant cases are reported to the Board. At least every quarter the Board follows up on any high risks identified. The Audit Committee always examines the external reports before they are published for the stock market.

These follow-up processes are the basis for guaranteeing the quality of Pandox’s financial reporting.

The CFO reports annually to the Board on internal control over financial reporting.

In addition to this, Pandox’s external auditors also examine the Company’s internal control over financial reporting and

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annual reporting, and perform a review of the third quarter interim report. Any shortcomings and/or errors identified by the auditors are reported to Pandox's executive management or, in the case of more serious issues, directly to the Board.

Information and communication

One prerequisite for good internal control is that its various components and intentions are known throughout the organisation. In other words, clear and well-structured communication on internal control is very important.

To ensure that there is an efficient exchange of knowledge and experience among the financial departments, financial meetings are convened on a regular basis. Governing guidelines, policies and instructions are available on the Group's intranet. Access to the internal information documents on the intranet is regulated by permissions. The documents are updated on a regular basis as needed. Access to financial data for the Group is also controlled at the central level based on permissions.

The corporate department works closely with the reporting subsidiaries, and arranges conferences and training each year for controllers and financial managers.

The Head of Investor Relations works with colleagues to manage all external information and communication, including the external website.

Stockholm, 6 March 2022

The Board of Directors of Pandox AB

Auditors' opinion on the corporate governance statement

To the general meeting of shareholders of Pandox AB, corporate registration number 556030-7885

Engagement and division of responsibility

The board of directors is responsible for the corporate governance statement for 2021 on pages 181–189 and for ensuring that it has been prepared in accordance with the Annual Accounts Act.

Focus and scope of the examination

Our examination was performed in compliance with recommendation RevR 16 *The auditor's examination of the corporate governance statement* issued by FAR (the professional institute for Swedish authorised public accountants). This means that our examination of the corporate governance statement has a different focus and is substantially smaller in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that our examination provides a reasonable basis for our opinion below.

Opinion

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 second paragraph items 2–6 of the Annual Accounts Act and chapter 7 section 31 second paragraph of that Act are consistent with the annual accounts and consolidated accounts, and comply with the Annual Accounts Act.

Stockholm, 7 March 2022

PricewaterhouseCoopers AB

Patrik Adolfson

Authorised Public Accountant
Auditor-in-charge

Linda Andersson

Authorised Public Accountant

Board of Directors and auditor

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Christian Ringnes

Born 1954.
Chair of the Board since 2004, chair of the Remuneration Committee and member of the Finance Committee.

Master of Business Administration from Harvard Business School, Bachelor's degree in Business and Economics from École des Hautes Études Commerciales, degree in philosophy from the University of Oslo.

Chief Executive Officer Eiendomsspar AS and Victoria Eiendom AS (and board appointments for companies in the group).

Chair of the Board Sundt AS (and board appointments for several companies in the group) and Dermanor AS.

Christian Ringnes owns 45.7 percent of the shares in Victoria Eiendom AS, which owns 56.2 percent of the shares in Eiendomsspar AS, which in turn owns 37,314,375 class A shares and 10,144,375 class B shares in Pandox.

Independent in relation to the Company and the executive management team: Yes

Independent in relation to principal shareholders: No



Jon Rasmus Aurdal

Born 1982.

Board member since 2018 and member of the Audit Committee and Finance Committee.

Master of Science, Professional Accountancy from BI Norwegian Business School and Master of Business and Administration from NHH Norwegian School of Economics.

Chief Financial Officer Eiendomsspar AS and Victoria Eiendom AS. Board and management positions in several subsidiaries of Eiendomsspar AS and Victoria Eiendom AS. Board member Lillunn AS.

Shareholding: 2,000 class B shares.

Independent in relation to the Company and the executive management team: Yes

Independent in relation to principal shareholders: No



Ann-Sofi Danielsson

Born 1959.

Board member since 2015 and chair of the Audit Committee.

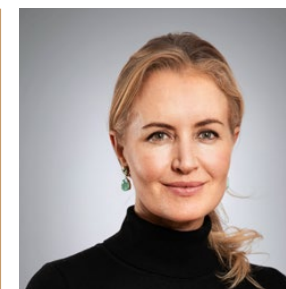
MSc Business Administration and Economics, Uppsala University.

Board member Nordomatic AB and Vasakronan AB.

Shareholding: 1,000 class B shares.

Independent in relation to the Company and the executive management team: Yes

Independent in relation to principal shareholders: Yes



Jeanette Dyhre Kvisvik

Born 1972.

Board member since 2017.

Law degree (honours) from the University of Bergen (Norway).

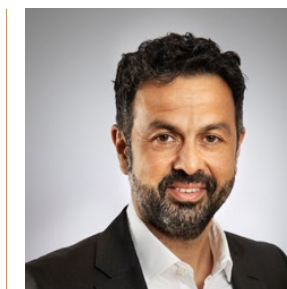
Chief Executive Officer VILLOID AS.

Board member VILLOID AS.

Shareholding: 470 class B shares.

Independent in relation to the Company and the executive management team: Yes

Independent in relation to principal shareholders: Yes



Jakob Iqbal

Born 1972.

Board member since 2020 and member of the Remuneration Committee.

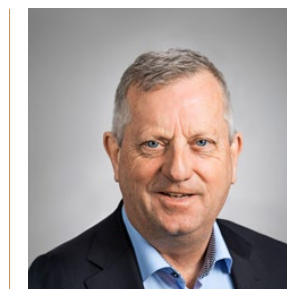
Master of Business Economics from BI Norwegian Business School. Certified European Financial Analyst (AFA), NHH Norwegian School of Economics. Completed the Advanced Management Program at Harvard Business School. Chief Executive Officer Sundt AS (plus board and management roles at several companies in the group).

Chair of the Board Helene Sundt AB and Christian Sundt AB. Board member Equitile Investments Ltd. Member of nomination committees for Otello ASA, Panoro ASA and Ultimovacs ASA.

Shareholding: 7,000 class B shares.

Independent in relation to the Company and the executive management team: Yes

Independent in relation to principal shareholders: No



Bengt Kjell

Born 1954.

Board member since 1996. Vice Chair of the Board, chair of the Finance Committee and member of the Audit Committee.

Graduate of Stockholm School of Economics.

Chair of the Board Amasten Fastigheter AB.

Vice Chair Indutrade AB and Logistea AB.

Board member AB Industrivärden and others.

Shareholding: 2,000 class B shares.

Independent in relation to the Company and the executive management team: Yes

Independent in relation to principal shareholders: Yes

Auditor

Patrik Adolfsen

Born 1973.

Auditor-in-charge, authorised public accountant, PricewaterhouseCoopers AB.

Auditor-in-charge for Pandox since 2017.

Other audit assignments: AcadeMedia AB (publ), Attendo AB (publ), Bonava AB (publ), Nordstjernan AB (publ) and SHH Bostad (publ). Member of FAR (the professional institute for Swedish authorised public accountants).

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Liia Nõu

Born 1965. Joined Pandox in 2007. CEO. Previously CFO since 2007.

MSc Business and Economics from Stockholm School of Economics.

Shareholding: 25,700 class B shares.



Anneli Lindblom

Born 1967. Joined Pandox in 2021. Senior Vice President and CFO.

Board member Amasten Fastigheter AB, Haypp Group AB and Avtalat.

MSc Business Administration from Frans Schartaus Handelsinstitut, Stockholm.

Shareholding: 3,800 class B shares.



Anders Berg

Born 1967. Joined Pandox in 2015. Senior Vice President, Communications and IR.

MSc Business and Economics from Linköping University, Certified European Financial Analyst (CEFA), Certified Investor Relations Officer (CIRO).

Shareholding: 0.

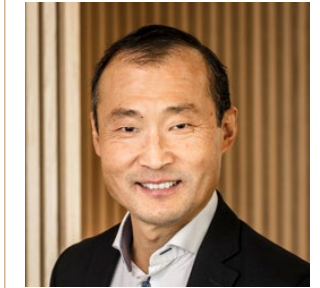


Karmen Bergholcs

Born 1970. Joined Pandox in 2016. Senior Vice President, General Counsel.

Law degree from Stockholm University.

Shareholding: 0.



Martin Creydt

Born 1965. Joined Pandox in 2017. Senior Vice President, Director of Property Management International.

Advanced Management Program, Cornell University, Executive Program, INSEAD, Business Degree Service Management, University of Gothenburg.

Shareholding: 1,000 class B shares.



Erik Möller

Born 1988. Joined Pandox in 2020. Senior Vice President, Director of Property Management Nordics.

Bachelor of Applied Science, Hospitality Business Administration/Economics focusing on real estate, Glion Institute of Higher Education.

Shareholding: 0.



Lars Hågström

Born 1954. Joined Pandox in 2000. Senior Executive Vice President, Asset and Technical Development.

Naval engineer, graduate of the Sjöbefälsskolan (naval officer college) in Stockholm, and one year of studies at the Royal Institute of Technology (KTH).

Shareholding: 10,000 class B shares.

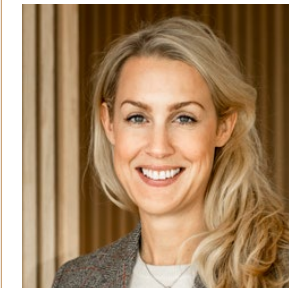


Aldert Schaaphok

Born 1959. Joined Pandox in 2004. Senior Vice President, Director International Operations.

Bachelor's degree in Business Administration (hospitality focus), Hotel-school The Hague.

Shareholding: 0.



Caroline Tivéus

Born 1979. Joined Pandox in 2018. Senior Vice President, Director of Sustainable Business.

Master's in Accounting from Lund University.

Shareholding: 0.



Jonas Törner

Born 1971. Joined Pandox in 2005. Senior Vice President, Business Intelligence.

Studies towards MSc in Business Administration and Economics, Stockholm University. Studies towards BSc in Engineering, Royal Institute of Technology (KTH) in Stockholm.

Shareholding: 0.

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The Pandogs

The Pandogs are Pandex’s strong team of office dogs. Always curious, always hungry for more, always in a good mood no matter what. Always sniffing the air to find the next business opportunity.

Pandex’s core values

It is important to the Company that all employees feel secure in themselves, take the initiative when needed and thrive in a group. This is because Pandex is a lean organisation filled with a spirit of entrepreneurship where everyone helps out and every employee is vital. Pandex also has an amusing company symbol in its illustrations of Pepper the dog, who is always up to his tricks. He is there to remind all of the employees to enjoy themselves and not to take themselves too seriously.

[Find out more about the dogs on our website *pandex.se*.](#)



Image on front cover: Scandic Luleå
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 Printing: Göteborgstryckeriet, 2022.



Knut
 Golden retriever
 Age: 2 years



Sally
 Gordon setter
 Age: 1.5 years



Stella
 Yorkshire terrier
 Age: 4.5 years



Caesar
 Cavapoo
 Age: 1 year



Dexter
 Norfolk terrier
 Age: 6.5 years



Pepper
 Mixed breed
 Eternally young

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Hotelism: What have you learnt?

Put your knowledge to the test! Answer the questions to enter our competition.

1 How many hotel properties and rooms does Pandox own?	4 How many business partners does Pandox work with?
2 Which is Pandox's largest hotel in terms of the number of rooms?	5 Which was Pandox's most energy-efficient property in Operator Activities in 2021?
3 In which country does Pandox have the highest number of rooms?	6 Why does Pandox run some hotels itself?

Email your answers to info@pandox.se by 30 April 2022. From among the correct answers we will draw three winners who will each receive an Adlibris gift voucher to use for their continued studies in some other -ism. Good luck!