

Annual Report
2022



Strategy and operations +

Market and trends +

Properties +

Sustainability +

Governance +

Financial +

Hotelism by Pandox

The science of creating value in hotels

In 2022 our hotels were once again filled with people. The strength of the recovery shows that people and companies both want and need to travel.

There are many reasons to travel and stay at a hotel: you might want to meet with clients, go to a concert or exhibition, get together with family, enjoy a city break or watch your children play in a football tournament.

In this Annual Report we will guide you through the past year, how the hotel market works and how Pandox operates in it based on our strategy, business model and priorities.

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- The formal audited sections of the Annual Report can be found on pages 140–188.
- Pandox's Sustainability Report can be found on pages 56–116. The Sustainability Report has been prepared in accordance with the GRI Standards and meets the Core level. It also constitutes Pandox's Communication on Progress towards the UN Global Compact and Pandox's statutory Sustainability Report.

Hotelism by Pandex

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Market and trends +**Properties** +**Sustainability** +**Governance** +**Financial** +[Download as PDF to print out](#) 

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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 to create value through active ownership.



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A leading hotel property owner

Pandox is a leading hotel property company that owns and leases out hotel properties to leading hotel operators. In total Pandox owns 157 hotel properties with around 35,500 rooms in 15 countries and a total market value of just over SEK 69 billion. Pandox was established in 1995 and has many years' experience of the hotel property market.

Unique strategy

Our strategy is to own and lease out hotel properties to strong hotel operators and to operate hotels ourselves. We are an active property owner with deep specialist expertise concerning hotels.

[READ MORE ON PAGE 11](#) →

High-quality portfolio

We have a portfolio of large hotel properties in the upper mid-price segment. The hotels are predominantly high-quality, full-service hotels in strong locations in their submarkets.

[READ MORE ON PAGE 36](#) →

World class network

Our property portfolio has a good mix of different geographical markets, brands and types of demand, which creates stability. Strong tenants and a world-class network constantly create new business opportunities.

[READ MORE ON PAGE 16](#) →

Green hotel properties

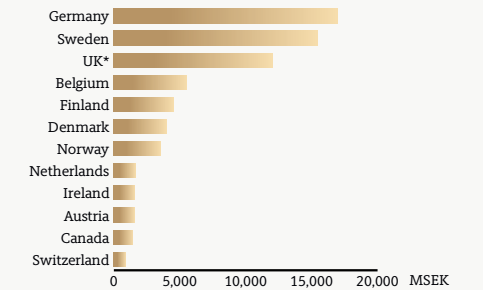
Our goal is to be able to offer green hotel properties and we are making active efforts to reduce our climate footprint.

[READ MORE ON PAGE 55](#) →

Pan-European position

Pandox's geographical focus is on Northern Europe. Our home market is a dynamic and densely populated area that is home to nearly 200 million people. We have a well-diversified portfolio of hotel properties in 90 cities in 15 countries*. Germany, Sweden and the UK are the three largest in terms of the properties' market value. The portfolio focuses on domestic and regional cities with mainly domestic demand, which account for 80 percent of the total number of rooms.

Market value by country



[READ MORE ON PAGE 48](#) →

*Including the submarkets England, Wales, Northern Ireland and Scotland.

Active ownership creates opportunities

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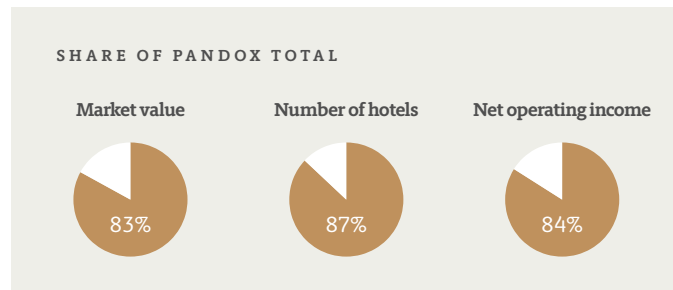
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Property Management



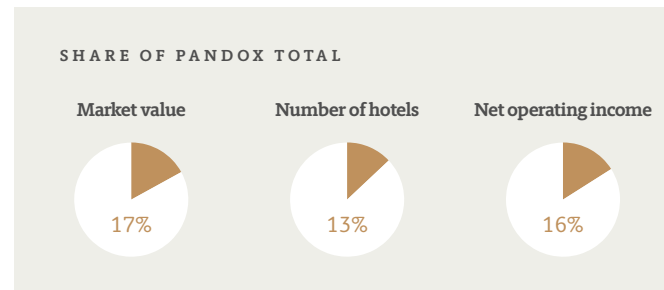
Property Management is at the heart of Pandox's business. We acquire, improve and lease out hotel properties to the market's best operators who operate hotels under various brands. The business model is based on long revenue-based leases with good minimum rent levels and stable earnings.



Operator Activities



In Operator Activities Pandox operates hotels itself. This is an important part of our active ownership model. The ability to operate hotels itself gives Pandox valuable strategic flexibility.



Brief facts

PROPERTY VALUE
MSEK **69,231**

NET OPERATING INCOME
MSEK **3,434**

NUMBER OF HOTELS
157

NUMBER OF COUNTRIES
15

NUMBER OF HOTEL ROOMS
35,490

BREEAM CERTIFICATIONS
12

Historic recovery in the hotel market

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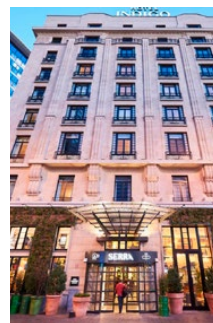
Governance +

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The year 2022 had a weak start due to Covid-19 restrictions, but when these were gradually lifted in early spring it was the beginning of a historically strong recovery that continued for the rest of the year. For Pandox this meant strong growth in revenue and profit compared with 2021.

Q1 Strong end to the quarter

The first quarter gets off to a weak start due to restrictions and normal seasonal variation, but ends strongly after Covid-19 restrictions are eased in many countries.

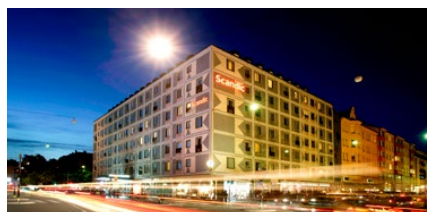


Pandox offers hotel rooms at no cost, mainly in Germany and Belgium, for people fleeing the war in Ukraine.

Pandox divests Mora Hotell & Spa. This divestment is in line with Pandox's strategy to constantly optimise the portfolio, focusing on hotel properties in strategic locations, and takes place at an attractive price.

Overall, Pandox's total revenue and net operating income increase by 36 and 29 percent respectively in the quarter compared with the corresponding period in 2021.

Q2 A hotel market in full swing



The hotel market performs very strongly in the second quarter, with rising occupancy and higher average room rates in all markets.

Pandox and Scandic extend the leases for 15 hotel properties in the Nordics. The extension includes a joint investment programme amounting to around MSEK 700.

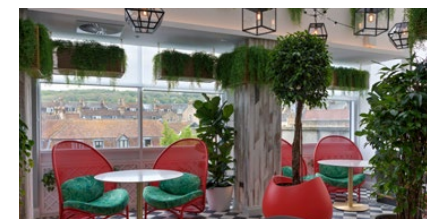
Pandox increases its pool of lenders from 11 to 13 by bringing in Swedbank and AMF Tjänstepension AB as new lenders.

Overall, Pandox's total revenue and net operating income both increase by 108 percent compared with the corresponding period in 2021.

108%
INCREASE IN NET OPERATING INCOME

Q3 Strong profits in a strong hotel market

The third quarter of 2022 is the first quarter since 2019 without significant pandemic restrictions. RevPAR returns to the levels seen before the pandemic, mainly driven by a higher average room rate.



Pandox completes its acquisition of NH Brussels Louise in Belgium and DoubleTree by Hilton Bath in the UK, and agrees divestment of InterContinental Montreal in Canada.

Having predominantly variable revenue, which normally provides protection against both increased costs and higher interest rates, puts Pandox in a strong position.

Overall, Pandox's total revenue and net operating income increase by 78 and 84 percent respectively compared with the corresponding period in 2021.

Q4 Strong cash flow and dividend reinstated

Pandox's Hotel Market Day is held on 15 November on the theme "The future of work and what it means for hotels". This is the 27th time the event has been held, with people attending this time both in person and by livestream.



Pandox signs a lease with Citybox for a hotel property in central Brussels. The lease is expected to start in the first half of 2024 following extensive renovation.

Based on the recovery in the hotel market and Pandox's strong cash flows and stable financial position, the Board of Directors proposes a dividend of SEK 2.50 per share for the 2022 financial year.

Overall, total revenue and net operating income increase by 67 and 55 percent respectively in the fourth quarter.



Recovery results in strong profits

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- Total revenue amounted to MSEK 5,654 (3,273), an increase of 73 percent.
- Total net operating income amounted to MSEK 3,434 (2,005), an increase of 71 percent.
- EBITDA amounted to MSEK 3,304 (1,868), an increase of 77 percent.
- Profit before changes in value amounted to MSEK 1,853 (542), an increase of 242 percent.
- Unrealised changes in value amounted to MSEK 1,185 (-368) for investment properties.
- At the end of the year cash and cash equivalents plus unutilised credit facilities amounted to MSEK 4,489 (3,576).
- Profit for the period amounted to MSEK 4,204 (609).
- Earnings per share amounted to SEK 22.94 (3.32).
- The Board of Directors is proposing a dividend of SEK 2.50 (-) per share.



Hilton London Heathrow Airport (T4) with 398 rooms, which recently underwent a major renovation.

Financial key ratios

MSEK	2022	2021	Change, %
Total revenue	5,654	3,273	73
Revenue, Property Management	3,307	2,422	37
Revenue, Operator Activities	2,347	851	176
Total net operating income	3,434	2,005	71
Net operating income, Property Management	2,868	2,027	41
Net operating income, Operator Activities	566	-22	N/A
EBITDA	3,304	1,868	77
Profit for the year	4,204	609	590
Earnings per share, SEK ¹⁾	22.94	3.32	591
Cash earnings	2,056	712	188
Cash earnings per share, SEK ¹⁾	11.18	3.88	188
Net interest-bearing debt	32,334	31,159	4
Loan-to-value ratio, properties, %	46.7	49.8	N/A
Interest coverage ratio, times ²⁾	3.7	2.1	N/A
Market value, properties	69,231	62,596	11
EPRA NRV per share, SEK	205.03	173.54	18 ³⁾

¹⁾ For information on the number of shares, see page 35.

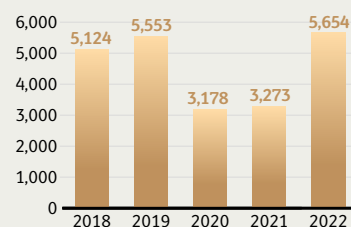
²⁾ For more information, see page 151.

³⁾ Measured as growth in EPRA NRV, annual rate. See key ratios on page 152.

TOTAL REVENUE

MSEK **5,654**

Total revenue, MSEK

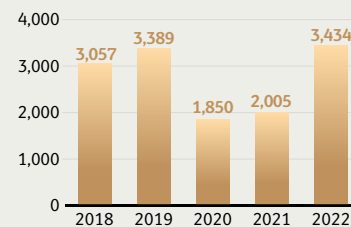


For comparable units, net sales increased by 54 percent adjusted for currency effects in 2022.

TOTAL NET OPERATING INCOME

MSEK **3,434**

Total net operating income, MSEK

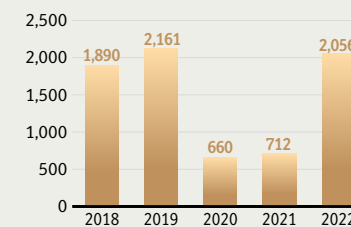


For comparable units, net sales increased by 44 percent adjusted for currency effects in 2022.

CASH EARNINGS

MSEK **2,056**

Total cash earnings, MSEK



Total cash earnings increased by 188 percent in 2022.

KPIs, sustainability

	2022	2021	Change
Number of BREEAM-certified properties	12	6	100%
Renewable energy, %	41	41	0 pp
Employee satisfaction, %	77	78	-1 pp

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Back in the saddle

2022 was the year of the hotel market’s historic comeback. The easing of pandemic restrictions in early spring started a recovery that was both faster and more vigorous than many could have imagined. For Pandox the positive development in the market translated into strong growth in both revenue and net operating income.

2022 began in a minor key but ended in a major one, in what may be described as a historic recovery for the hotel market. After more than two years of pandemic, with a difficult business climate for the hospitality industry, the hotel market went from strength to strength as the year progressed. The pent-up need to travel among private individuals and companies – to get together, go to conferences, see their favourite bands or accompany their children to a football tournament in another city – proved to be incredibly strong.

For us at Pandox it feels great not just to see our hotel properties full again and our tenants earning real money, but also to be proved right in our hypothesis that the pandemic had not taken away people’s and companies’ desire to travel and meet up.

The year got off to a tentative start...

The beginning of 2022 was very weak, with pandemic restrictions continuing to lie like a wet blanket over the hotel market throughout the world. In January we recorded occupancy in the Property Management business segment at a modest 27 percent. Things quickly began to turn around from February onwards, however, as countries successively took away their restrictions and allowed people to move

THREE FOCUS AREAS IN 2022

- Capitalise on the hotel market’s recovery.
- Maintain a strong financial position.
- Actively optimise the portfolio.

about and travel freely. First out of the blocks were the UK, Denmark and Norway, closely followed by Sweden. These countries were immediately rewarded with rising occupancy rates at hotels. By the end of March occupancy rates in several regional markets in the Nordics and the UK were already well in line with 2019 levels. In countries that were more reticent to ease restrictions, such as Germany and Finland, the recovery took a little longer.

...but then picked up speed

The more the year progressed, the clearer it became that the recovery was here to stay. Cities with regional and domestic demand continued to perform well, while at the same time the big cities – which had been particularly hard hit during the pandemic – began to feel a breath of fresh air. As early as the



“It feels great to see our hotel properties full again”

Liia Nõu, CEO Pandox

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second quarter, occupancy at our hotels had reached a good 65 percent or so, which along with strong upward movement in average room rates took RevPAR above 2019 levels in some markets. Such positive development in the hotel market resulted in a rapid increase in our revenue-based rental income in Property Management and our operating income in Operator Activities.

The third quarter was completely free of pandemic restrictions and became Pandox's strongest quarter ever, driven by both good demand and higher average room rates. The fourth quarter kept up this good trend, with continued stable demand and strong cash flows.

In 2022 Pandox's total revenue and total net operating income increased by 73 and 71 percent respectively compared with 2021.

Sharper strategy enhances portfolio quality

Pandox's strategy is based on active ownership and long-term value creation in hotel properties. This also includes optimising the composition of the portfolio through both acquisitions and divestments. We are not averse to divesting hotel properties when the price is right and when we can reinvest the capital to increase profitability.

Supported by a stable balance sheet, strong cash flow and a well-proven toolbox for value-creating investments, we were able to act on transaction opportunities in 2022 despite operating in a more uncertain world of rising interest rates, inflation and a cooler financing climate.

During the year we acquired NH Brussels Louise in Belgium and DoubleTree by Hilton Bath in the UK. The hotel in Bath has 176 rooms and is fully funded. There is good potential to optimise operations and further

grow market share. For NH Brussels Louise we communicated in the third quarter that we had signed a lease with the Norwegian operator Citybox Hotels. The lease is expected to take effect in the first half of 2024 when the hotel reopens after extensive renovation.

We have also divested three hotel properties: two smaller properties in Sweden and Finland, and the much larger InterContinental



tal Montreal in Canada for MCAD 80. These divestments realise value and free up capital for continued profitable expansion in our main markets as well as securing our strong financial position.

In addition, we are continuing to invest around SEK 1 billion per year in our existing hotel property portfolio. These investments are mainly aimed at increasing cash flow and are expected to yield a return of 8–12 percent on the capital invested. We have countered the price increases for inputs and other items that were seen in 2022 with even greater discipline in our investment costings, to ensure

that we have the right priorities and a good return.

Stable starting point in a changed financing market

After many years of low interest rates, during the year we experienced a shift in climate with ever higher interest rates as a result of the high inflation. In the short term the inflation has benefitted Pandox, since a large part of our revenue is variable. Higher room rates in particular have offered protection from both increased costs and higher interest rates.

Pandox has two sources of financing: the Company's equity and bank loans secured by underlying properties. Our financing model is based on long-term relationships with banks and shareholders, as it has been since the Company was formed in 1995. During the year Pandox expanded its pool of lenders from 11 to 13 by bringing in Swedbank and AMF Tjänstepension AB as further lenders, which is a sign of strength for Pandox as a company.

In 2022 we were keen to maintain a strong financial position. At the end of the year we had a loan-to-value ratio of 46.7 percent, while cash and cash equivalents plus unutilised credit facilities amounted to a good MSEK 4,489.

Raising our ambitions within sustainability

Pandox's most important contribution to more sustainable development lies in creating resource-efficient properties and enabling operation that reduces their environmental and climate footprint. This year significant steps were taken to integrate the area of sustainability fully into the business. In submitting our climate targets to the Science Based Targets initiative (SBTi) we have clearly

Focus on the future

Value-creating investments in the existing portfolio

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 2022 Pandox invested around MSEK 850 in projects to boost future growth.

Examples from the year include a major renovation of Hotel Pomander in Nuremberg, expansion of DoubleTree by Hilton Brussels City, renovation of Leonardo Royal Hotel Birmingham and a major upgrade of Scandic Park Stockholm.



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staked out an ambitious course for Pandox. It includes phasing out natural gas, improving energy efficiency, reuse and increasing purchases of sustainable materials. We have also restructured our diversity and inclusion efforts, formulating a strong vision for the future in a joint initiative between myself and key players in the organisation. Having strong, committed employees is critical for Pandox's continued development and progress. During the year we also submitted our fourth Communication on Progress to the UN Global Compact as evidence that we are supporting its Ten Principles, which guide our sustainability efforts. Proof that we are on the right track is provided by our far-reaching discussions with banks on sustainability-linked loans.

People in the spotlight at Pandox's Hotel Market Day

One of the greatest challenges facing the hotel sector since the pandemic is recruiting staff for the hotels. Many people left this part of the service sector during the pandemic and have now found other jobs. Although the situation gradually improved during the year, the staffing issue is high on the agenda of most hotel operators. The requirements made of hotels as an employer have increased.

This was the background to our Hotel Market Day, which this year took as its theme "The future of work and what it means for

hotels". With the help of various experts we discussed what a changed view of work means for hotels as products and workplaces. It was a very interesting day filled with inspiration and new insights that I will take with me into 2023, and I really would recommend reading the report of the day that can be found on Pandox's website.

Ready for 2023

In these comments last year I wrote that people would travel again as soon as this was possible and restrictions allowed it. It is extremely pleasing to note that this was correct. I also wrote that here at Pandox we are incurable optimists – and I stand by that, even though life is clouded by new uncertainties with a possible recession around the corner. It is our belief that people will prioritise travel and meeting up, both at work and in their private lives. We travel in our private lives because it is part of our lifestyle, and we travel for work because in the long run it is the best way to drive business forward profitably and with quality.

With a strong balance sheet, a well-diversified portfolio of hotel properties with predominantly domestic and regional demand, strong operators and partners, a balanced business model and a unique corporate culture we are ready for whatever comes our way.

I would like to take this opportunity to thank our shareholders, lenders, business partners, hotel guests, employees and our corporate dogs – our Pandogs – for a year when we were able to report (longed-for) growth in revenue and profits again after the challenging years of the pandemic.

Thank you for the trust you have placed in us!

Stockholm, March 2023

Liia Nõu
CEO

THREE ITEMS HIGH ON THE AGENDA FOR 2023

- **Inflation and interest rates.**
- **Resilience of the hotel market to economic downturn.**
- **Opportunities for value creation regardless of the business climate.**

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Our strategy and business model

Active ownership with deep hotel knowledge

Pandox's business concept is to acquire, improve and lease out hotel properties to strong hotel operators under long-term leases with revenue-based rent and 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 focuses on hotel properties as the only class of asset, where specialisation and knowledge are crucial to achieving results.

Large hotels in good locations

Pandox focuses on large hotel properties that are home to large hotels in the full-service segment at strategic locations in attractive cities.

Operating hotels itself when needed

Pandox moves freely throughout the hotel value chain and can also operate its own hotels. This reduces risk and creates new business opportunities, not least for acquisitions.

Variable revenue and minimum rents

Pandox's core business involves signing long-term leases with revenue-based rents and good minimum rent levels with the best hotel operators.

Deep hotel knowledge

Pandox is an active owner with a deep knowledge of the hotel industry and considerable experience of all operating models in the hotel market. Combined with intelligence and insight, this gives us both knowledge advantages and competitive advantages.

Diversification in various ways

Pandox's hotel property portfolio is diversified by geography, demand, brands and hotel products, which evens out fluctuations in revenue over the hotel business cycle.

Sustainability with a business focus

Pandox makes active efforts to achieve a sustainable business by investing in green hotel properties and green hotel operations.



Hotel Pomander, Nuremberg



The Midland Hotel, Manchester



Scandic Grand, Örebro

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“No-one’s going to travel any more”

- The travel sector has recovered from each crisis quite simply because people need to travel.
- When restrictions were lifted in 2022, demand rapidly returned.
- Domestic and regional travel are now greater than before the pandemic.
- Fewer but better planned business trips, often with more hotel nights per trip than previously.

“People’s behaviour has changed for ever”

- It was the restrictions that forced people to change their behaviour.
- When the restrictions disappeared, the behavioural changes were not as great as people had thought.
- Clearly, people now value their freedom more than before the pandemic.
- Experiences have become more important than before, as is underlined by a very strong leisure travel sector.

“Nobody is ever going back to working in offices”

- Lots of people want a better work-life balance.
- Hybrid working is the new normal for employees, but many employers want them to spend more time at the office.
- Meeting others in the office is often important for wellbeing.
- Increased demand for meetings from companies with flexible work models.

“Hotels will all be converted into apartments”

- Hotel properties work best for hotel operations.
- Significant investment is often required to convert hotel properties for other purposes such as housing.
- Why convert something for which there will be demand in time?

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Future ways of working – how does it affect hotels?

Pandox's annual Hotel Market Day on 15 November 2022 took as its theme "The future of work and what it means for hotels". A great many experts discussed what a changed view of work means for hotels as products and workplaces.



"People want to belong to a tribe"

Eric Jafari is Chief Development Officer at Edyn, a hotel company offering unique hotel experiences.

What do you think is needed to get people to go back to working in the hotel industry?
The future of work is very much defined by human behaviour. When it comes to attracting young people in the big cities, we need to understand them. Before the pandemic the ideal day for those in the 20–39 age group was to start the day with mindfulness, then go to their job and in the evening eat out at some Instagrammable place. Because of the high property prices, they

were forced to live in a tiny room and spent very little time at home. That all changed when the pandemic arrived – leaving them with two choices: adapt or move back in with their parents. It was a traumatic event that I believe rewired their neural pathways.

How can young people overcome such a traumatic event?

Personally, I think the answer can be found in two studies that have been carried out. One was conducted by us at Edyn, when we asked why people stayed at our hotels. The answer was that it was because of their design. For a young, design-led generation, design and aesthetics are extremely important.

The second answer can be found in two fascinating studies from 1942 which tracked Harvard sophomores and inner city kids throughout the rest of their lives. As the studies neared their end in the 2000s it was found that the quality of their lives was defined by the quality of their relationships.

What does that tell us?

Social media promises us connections, but in fact we are lonelier than ever – so I believe the answer to creating attractive workplaces is to deal with the loneliness by creating social areas where people can really meet each other. We are social beings who want to belong to a community, to a tribe.



"Work is not just about money – it's about community, and to be a good employer you have to create a community."

Prof. Dr.-Ing. Vanessa Borkmann of the Fraunhofer Institute on the topic "Future employers – success with a value-based approach"

Leading the multigenerational workplace

Rachele Focardi is an expert in generational diversity. At the Hotel Market Day 2022 she talked about the challenges and opportunities that a deep understanding of generational diversity can bring to workplaces.

Why is generational diversity important today?
Our society and our workplaces are in the middle of a major demographic change. For the first time in history we have four generations working together in the same workplace: Baby Boomers, Gen X, Millennials and Gen Z. They all have different characteristics and it's important for employers to understand these. I'm convinced that understanding this will bring great benefits for all companies.

What's your best advice for a company that wants to get to grips with this?
In my book I suggest that companies create a shadow board. This would be a board that functions in parallel to the executive committees, but which is made up of young talent. The two get access to the same information, and the shadow board can then present comments and ideas from its generation's perspective. That way you create inclusion between the generations which benefits the company.

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Digital disruption and the future of work

Carl Benedikt Frey is a German-Swedish economist who is currently Director, Future of Work at the Oxford Martin School at the University of Oxford.

In your view, what will work be like in the future?

One of the most important things to understand when talking about work in the future is why people tend to live in cities. The answer lies in the “cost of proximity”. Historically the cost of transporting goods was high, which explains why people lived in smaller communities in the early 1800s. It was the railways and other means of transport that came about in conjunction with the first industrial revolution that made large cities possible. And then around 1990 along came the internet, and we were able to coordinate production at a distance. A lot

of travel then was linked to investigating and maintaining global value chains, which had a huge effect on the travel and hotel industry. Now that’s going to change, and we will once again see a new wave of technology that will change our view of work and travel.

So which places are likely to thrive in the future?

We still see belonging as a critical component. We want to be together and that’s why I’m quite certain that cities such as Stockholm, London and other global hubs will continue to thrive. But alongside this we will also see secondary hubs in places like the Philippines, India and Bangladesh. These are places that expect to see a considerable upswing in the future.



5
future
trends



Trends that will influence workplaces

June Koh, Total Workplace Partner at Cushman & Wakefield, talked about “The future trajectory of the workplace and city”. Here are five insights to think about when developing workplaces where employees thrive.

- 1 **Don’t just listen to the managers** – surveys show that employees think differently to managers on workplace-related matters.
- 2 **Working from home is effective** – it has emerged that many employees tend to concentrate better at home than in the office.
- 3 **Encourage social interaction** – the social dimension of work is getting more important.
- 4 **Work routines** – involve your employees to find the routine that works best for them.
- 5 **Hybrid working is the future** – don’t build your office centred around one place.

Fixing the talent crunch in the service sector

Ida Troive, Chief Human Resources Officer at Parks & Resorts Scandinavia, talked about her experience of recruitment within the service sector. One of her tips was to offer paid training as a way to become more attractive as an employer.

The worst employee in history?

During the event we watched scenes from the working day of a fictitious hotel employee – Jerker Hansson, played by Swedish actor Per Andersson. In short sketches we saw how he met his hotel guests’ every need and wish. But despite his enthusiasm, all too often he got it wrong.

Watch the event on demand at pandox.se

Value creation through active ownership combined with deep knowledge of the hotel industry

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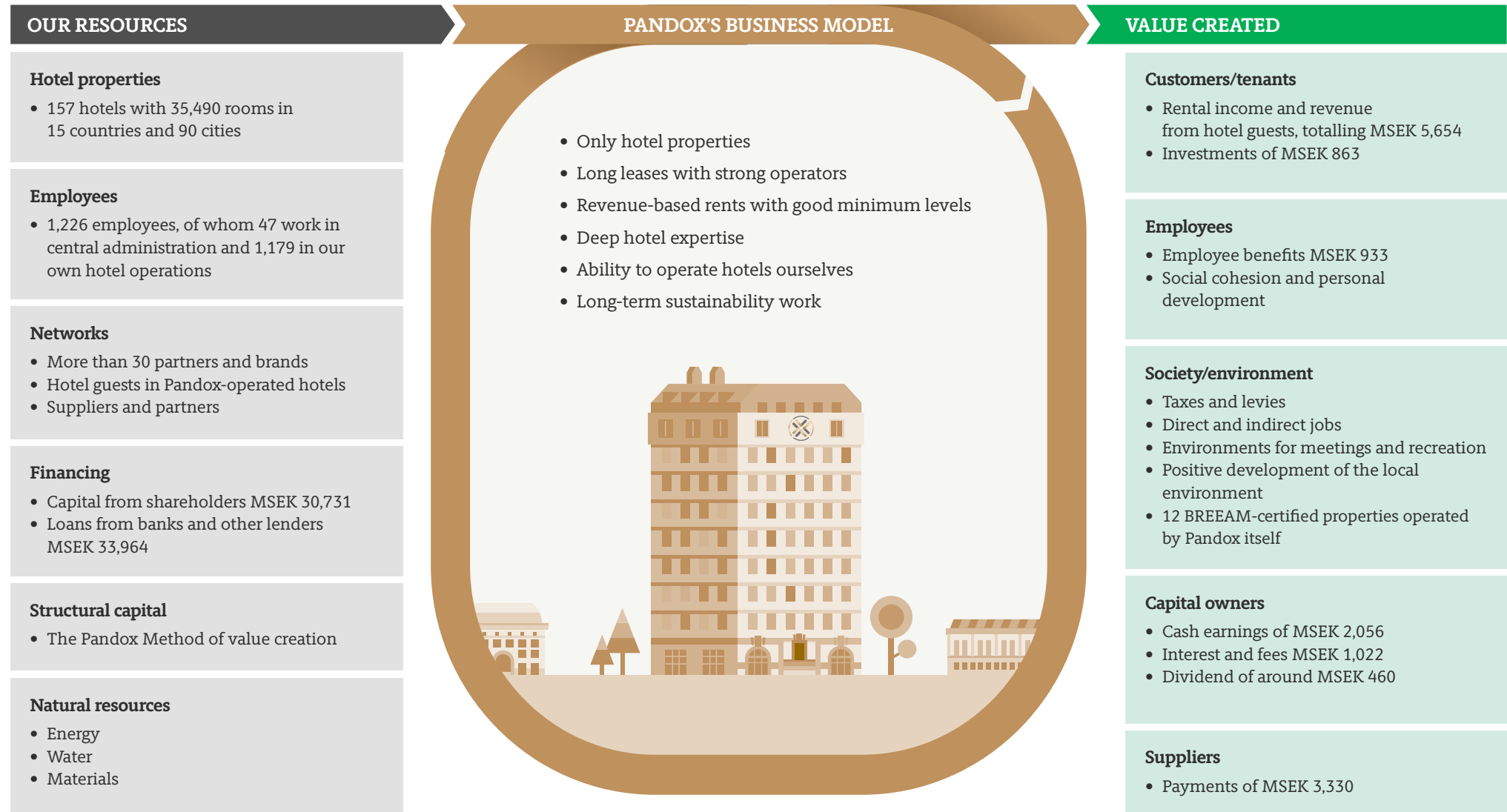
Properties +

Sustainability +

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A strong network of hotel partners and brands

The choice of business partner and brand is determined by the hotel's unique circumstances and is important for value creation.

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

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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 diversifies its hotel property portfolio by having a presence in domestic, regional and international markets, and through hotel types and the 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 leisure travel dominated demand, but in 2022 a strong recovery in business travel led to a more balanced demand situation.

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. Increased productivity increases profitability, which in turn provides the resources for investments in the hotel products.

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. Leonardo/Jurys Inn is a similar example in the UK and Ireland. 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 in recent years are:

- Motel One Copenhagen, Denmark (from First Hotels)
- Hotel Mayfair in Copenhagen, Denmark (from First Hotels)
- Hotel Pomander in Nuremberg, Germany (from Maritim Hotels)

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 240 hotels and 45,000 rooms as well as 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 145 hotels with more than 25,000 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 7,000 hotels in 123 countries.



Radisson is one of the world's largest hotel companies with 1,100 hotels and more than 197,000 rooms in 95 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 350 hotels and around 60,000 rooms in 28 countries. NH has a clear focus on hotel operation and constructive business development.

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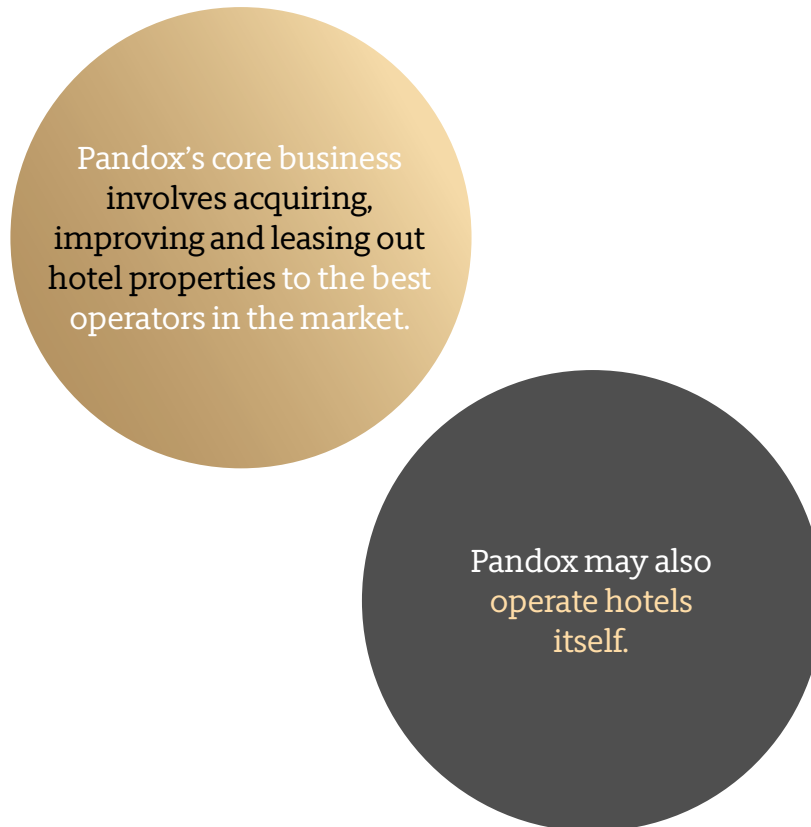
Sustainability +

Governance +

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Two business segments providing balance and potential

Apart from owning and leasing out hotel properties, Pandox may also operate hotels itself. This reduces risk, creates new business opportunities and increases the return.



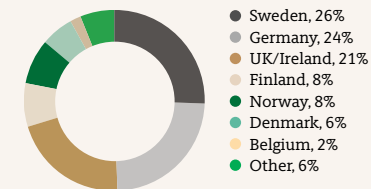
Property Management

137 properties

MSEK 57,563 market value, properties

5.58% valuation yield

Rental income by country 2022



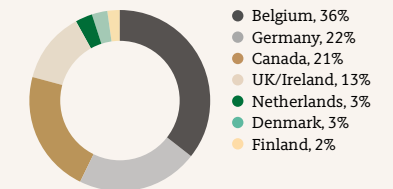
Operator Activities

20 properties

MSEK 11,669 market value, properties

6.50% valuation yield

Revenue by country 2022



Pandox total

157 Hotel properties

Pandox's hotel property portfolio consists of 157 properties with an average of 226 rooms. The portfolio is well-diversified across geographies, countries, cities, types of demand and subsegments.

MSEK 69,231 Total market value of portfolio

In 2022 the market value of the total hotel property portfolio increased by around 11 percent, explained by positive currency effects, acquisitions and increased cash flows.

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Higher variable rents resulted in strong profits

Pandox's rental income and net operating income increased significantly as a result of the recovery in the hotel market. During the year 15 leases with Scandic in the Nordics were extended and a new lease was signed with Citybox in Brussels. The pace of investment was high, with new hotel products in Salzburg, Stockholm, Birmingham and Frankfurt.

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 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-increasing 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 2022 Pandox's lease portfolio had a weighted average unexpired lease term (WAULT) of 15.0 (14.0) years. (See definitions on page 198.)

Shared investment reduces risk

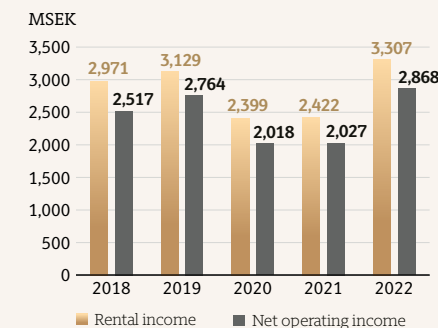
The way maintenance costs and investments are distributed between the tenant and the property owner in hotel leases is an important factor that distinguishes hotel properties from, say, office properties. The division of responsibility between the parties is regulated in a checklist. Hotel tenants in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



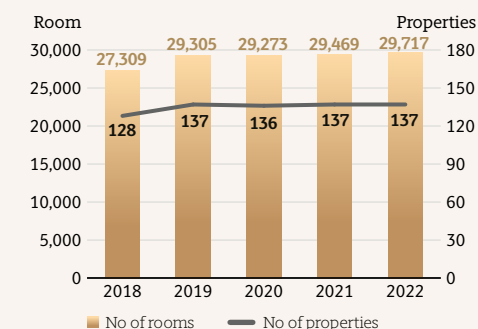
furniture, fixtures and equipment. The property owner is typically responsible for technical investments and installations in the property, technical maintenance and usually for bathrooms as well. In general the tenants' responsibility is greater outside the Nordic region.

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-increasing

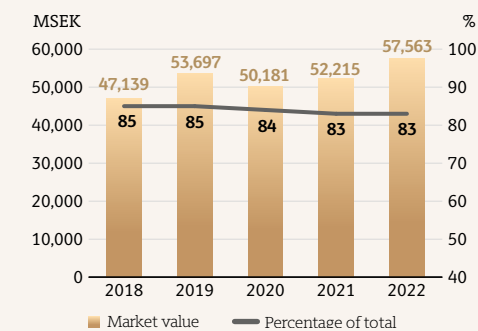
Rental income and net operating income



Number of rooms and properties



Market value and percentage of total portfolio



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Properties +

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investments, mean that Pandox – as the hotel property owner – has historically had less financial responsibility for investments compared to the owner of, for example, an office building. Pandox estimates that tenants contribute a significant portion of total investments over time.

Good return from variable rents

The strong performance of the hotel market meant that Pandox was able to generate a total of MSEK 1,020 in variable rent from leases with and without a contractual minimum level. This is on a par with the record year of 2019 and contributed to the very good growth in profits.

Two minor divestments

During the year Pandox made active efforts to optimise the quality of the portfolio. As a result of this, two minor divestments were made: Mora Hotell & Spa in Sweden and Scandic Kajanus in Finland.

Leases with Scandic extended

Pandox and Scandic Hotels entered into an agreement to extend the leases on

15 hotel properties and one conference property in the Nordics. The leases are revenue-based with a contractual minimum rent level and are effective for 12–20 years. The parties will jointly invest around MSEK 700 in the hotel properties over several years.

New partnership with Citybox

Pandox signed a new lease with Norwegian operator Citybox Hotels for NH Brussels Louise, which Pandox acquired earlier in 2022. The lease is expected to take effect in the first half of 2024 when the hotel reopens after extensive renovation.

Major investments in the existing portfolio

In 2022 Pandox continued to invest to grow the existing portfolio. Examples of completed and ongoing projects during the year are: Scandic Park Stockholm (read more on the right), Quality Grand Borås, Leonardo Royal Birmingham, Pullman Stuttgart Fontana and NH Collection Salzburg.

Brands in Property Management



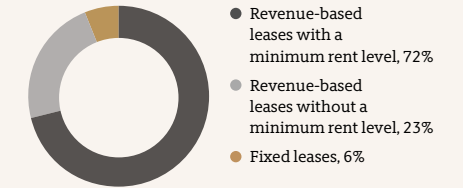
Scandic Park Stockholm moves up a gear

Scandic Park – situated in central Stockholm and often described as a natural extension of Humlegården park – has undergone one of the most extensive modernisations in its history. Every part of the hotel has been upgraded, with a design brief to reference its early 1970s origins.

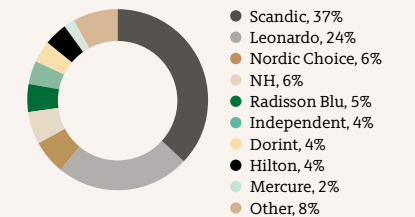
The hotel has been renovated in stages and all the rooms were finished in 2020. The latest stage of the renovations, completed in September 2022, focused on all of the public areas such as the lobby, reception, bar and restaurant. A new gym has also been added alongside the lobby.

Designed by Doos Arkitekter, the idea was to produce a modern look that harmonised with the hotel's origins in the building created by architect Sven Markelius. The colour choices and furniture also have clear links to the 1970s.

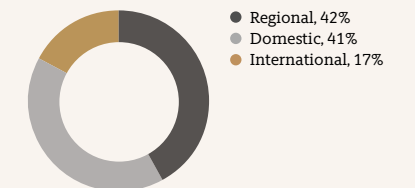
By agreement type, number of rooms



By partner, number of rooms



By destination, number of rooms



Operator Activities

A powerful recovery

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Properties +

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Operator Activities are an important part of Pandox’s strategy. Knowledge of hotel operation and the capacity to operate hotels itself reduces risk and creates new business opportunities. An increase in business travel combined with a strong leisure travel sector contributed to a powerful recovery in both revenue and profits during the year.

Active ownership provides many advantages

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. However, the goal is always 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.

Both 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 2022 a total of 10 hotel properties were being operated within Operator Activities under franchise agreements, five under independent brands owned by Pandox and five under management agreements.

Two acquisitions and one divestment

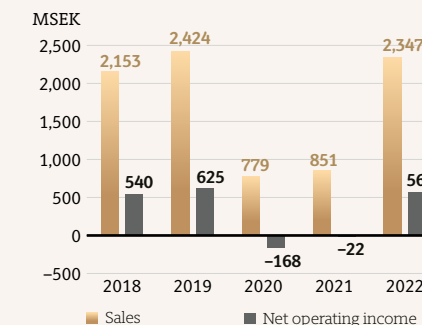
During the year Pandox made two acquisitions within Operator Activities. The first was NH Brussels Louise in central Brussels.



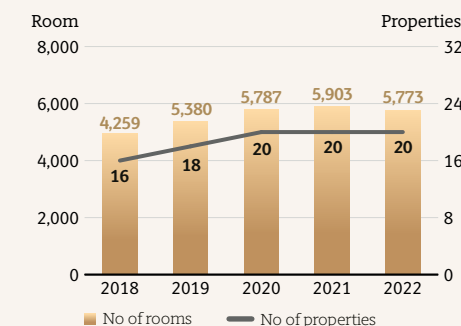
Later in the year Pandox announced a major forthcoming renovation prior to leasing to Citybox Hotels. The second was DoubleTree by Hilton Bath for MGBP 40. The hotel has 176 rooms and will be operated under a new management agreement with Axiom Hospitality.

Pandox has also divested the Inter-Continental Montreal in Canada. The sale included both the hotel property and hotel operation, and the total transaction value is around MCAD 80. Handover took place in February 2023. In February 2023 The Queens Hotel in Leeds was also acquired for MGBP 53.

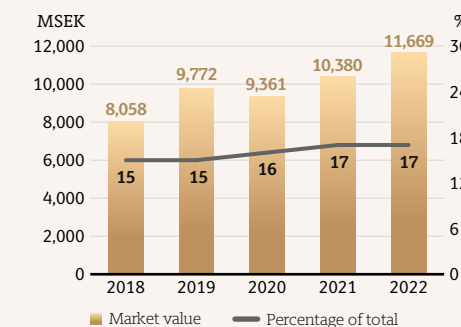
Sales and net operating income



Number of rooms and properties



Market value and percentage of total portfolio



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Hotel Pomander opens in Nuremberg

The renovated and modernised Hotel Pomander, in the heart of Nuremberg is expected to reopen at the beginning of April 2023. Situated close to the historic city centre and the central station, the hotel offers a perfect base for exploring the city's past and present. Pandox acquired the hotel in 2019 and it has been closed for renovation since mid-2021.

With its modern facilities and relaxed style, Hotel Pomander is aimed at both leisure and business travellers.

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



Pandox expands DoubleTree by Hilton Brussels City

Following the reopening of DoubleTree by Hilton Brussels City in September 2021, in 2022 Pandox announced a further expansion of the hotel.

Convinced of the hotel's strategic location and potential, we are investing around MEUR 35 in a major expansion that will add 7,300 sq m. A total of 151 new rooms are expected to be added in the new building, supplementing the hotel's existing 354 rooms that underwent complete renovation in the past year. In addition, Pandox will build a 600 sq m convention hall and a further four conference rooms.

The hotel, originally known as the Palace Hotel, was built in 1908–1909 by architects Antoine Pompe and Adhèmar Lener.

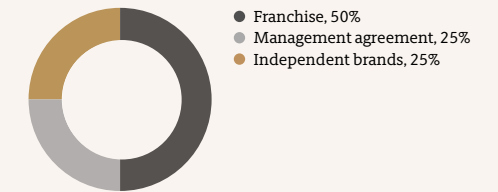
The expansion will comply with the strict sustainability criteria defined by the international certification system BREEAM (Building Research Establishment Environmental Assessment Method).

The expansion is expected to be complete in 2025.

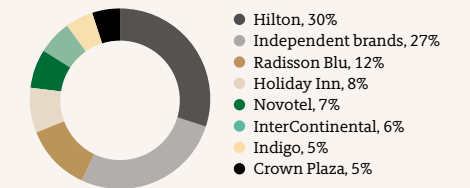
Brands in Operator Activities



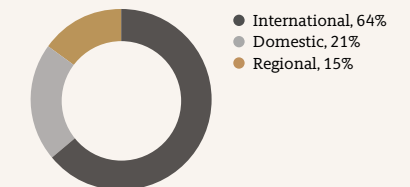
By agreement type, number of rooms



By partner, number of rooms



By destination, number of rooms



Keys to Pandox's value creation

To make the right acquisitions and thereby create value in hotel properties, a deep knowledge of the hotel market and its drivers is needed.



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-creating 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 with no contractual minimum rent
- Fixed leases
- Other 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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Profitable acquisitions drive Pandox forward

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INTERVIEW
JACOB RASIN



Acquisitions are an important part of Pandox’s growth strategy. 27 years after being founded and after hundreds of acquisitions in 15 countries, the Company has built up a solid acquisition process that lays the foundations for continued profitable growth. Behind this success lies sound knowledge of the hotel industry, a broad network and a clear plan for creating value in each acquisition. Jacob Rasin has worked at Pandox since 2011 and is today Vice President Transactions. Here he tells us more about how the Company sees acquisitions and value creation.

Jacob, what has changed in the hotel transaction market since the pandemic?

Depending on how you look at it, you could either say that a lot has changed or not much. During the pandemic the future was highly uncertain, which resulted in a historically low level of activity in the transaction market. At the same time, in recent years a situation has been created that I usually refer to as “deep pockets but short arms” – large amounts of capital have been built up in the sector but have not been invested due to continued great uncertainty, now mainly because of higher interest rates and a cooler financing climate.

What trends are you seeing just now among hotels and hotel properties?

The hotel industry has been structurally improved in an incredible way as a result of Covid. Getting through a situation in which guests disappeared overnight and were gone for 18 months is an extreme challenge. Today I would describe the hotel sector as “lean and hungry”, which is a perfect state to be in when the industry faces new challenges.

Certain trends we are seeing are particularly advantageous as far as Pandox is concerned. Not only has proper knowledge

of the hotel industry become increasingly important, but also the revenue-based rent model – which is more adaptable and flexible – has gained in popularity at the expense of the fixed rent model, which for various reasons is becoming less relevant.

What are Pandox’s thoughts on the transaction market in the coming years?

In view of the great upheaval in the financing markets over the past year, it’s going to be really exciting to follow developments in the years ahead. One theory we have is that it will become clear that hotel industrialists like Pandox will want to be more active and make acquisitions, while property investors that are not hotel specialists will be more reticent.

What role does Pandox want to play in this development?

Pandox’s expertise is and always has been in hotels and hotel properties. The knowledge base we have built up over the years gives us a strong platform from which to find and make good investments even in an uncertain world. The developments and uncertainty during the past year remind me very much of Brexit and the important role that this played

in Pandox being able to really establish itself in the UK in 2017.

What do you think will be required in order to create value in the transaction market in the years ahead?

I think it will be “back to basics”, which I see as positive. There will be a greater focus on the individual business case, actors must have sound hotel knowledge in order to create value, while at the same time for most actors financing will be harder to obtain and more expensive because of the high interest rates. There will be no more free lunches. In recent years value creation by the hotel industry has been overshadowed by technical value creation in the financial sphere. I hope that this situation will be reversed in the coming years – that would be good for us.

What makes Pandox a good counterparty in a transaction?

As I see it, we’re good because we’re clear about what we want. We have also completed so many transactions through the years that most people know that we keep our word.

You’ve been working at Pandox for more than 10 years. How come you have stayed?

Wonderful colleagues both internally and externally. Daily challenges that constantly motivate you. Freedom around how things can be done. And of course, Pandox’s corporate culture – the Pandox Spirit.

Why do you enjoy working on transactions?

Because no two days are the same, and the fact that you can’t create lasting value without genuine teamwork.

Hotelism by Pandox

[Strategy and operations](#) +[Market and trends](#) -[Pandox in the world](#)[Trends and drivers](#)[Market and agreement structure](#)[Market overview 2022](#)[RevPAR](#)[The Pandox share](#)[Properties](#) +[Sustainability](#) +[Governance](#) +[Financial](#) +

2

Market and trends

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



- Strategy and operations +

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- Properties +

- Sustainability +

- Governance +

- Financial +

Strong position in domestic cities



International cities

Characteristics

- Internationally established destinations
- Hubs for international travel
- Markets with strong purchasing power
- All guest segments represented
- Still potential for recovery in international long-haul travel

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
- Fully recovered after the pandemic

Examples in Pandox's portfolio

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



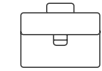
Domestic cities

Characteristics

- Domestic demand is the primary driver
- No or limited international demand
- Greater dependence on the public sector
- Fully recovered after the pandemic

Examples in Pandox's portfolio

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



Total portfolio

Diversification in various ways

- Type of demand
- Destinations
- Locations
- Brands
- Hotel products

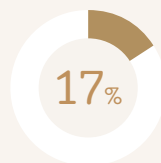
Portfolio approach reduces risk

By combining different markets, types of demand and brands, Pandox can balance out fluctuations in individual markets. This increases resilience and reduces risk. Domestic and regional demand carries the most weight.

Pandox facts

18 hotels
5,995 rooms

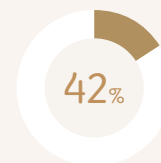
Percentage of total number of rooms



Pandox facts

62 hotels
15,015 rooms

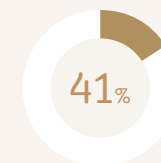
Percentage of total number of rooms



Pandox facts

77 hotels
14,480 rooms

Percentage of total number of rooms



Pandox facts

157 hotels
35,490 rooms
15 countries*
90 cities

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

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- Properties +

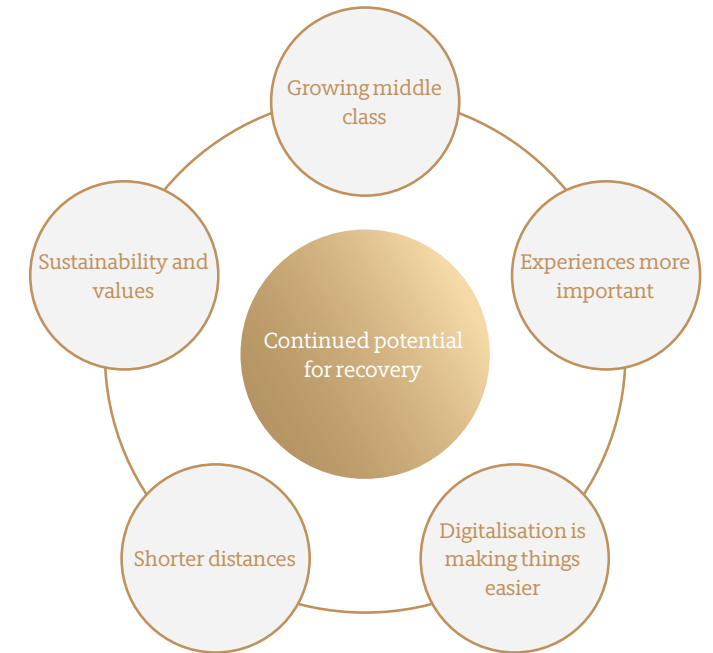
- Sustainability +

- Governance +

- Financial +

Trends in the right direction for Pandox

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. The pandemic has not changed people’s fundamental need to travel.



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. Travel often has a high priority.

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. The pandemic has made people value their freedom more than before.

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. The pandemic has increased the need for digital solutions in physical hotel environments.

Shorter distances

The majority of guests arrive at their hotel by car, bus or train. Low cost flights to both long-haul and short-haul destinations are also a strong underlying driver in the hotel industry.

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. The pandemic has been a catalyst for sustainability among both companies and individuals.

Strategy and operations +

Market and trends -

Pandox in the world

Trends and drivers

● Market and agreement structure

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Sustainability +

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High entry barriers in a constantly developing hotel market

Pandox is a leading hotel property owner in Europe with an active ownership model that covers the entire hotel value chain. The hotel property market is fragmented and has good growth opportunities.

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 specific 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.
The pandemic has reinforced more than changed	The pandemic 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. Pandox applies all operating models in the hotel property market.

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. The pandemic 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

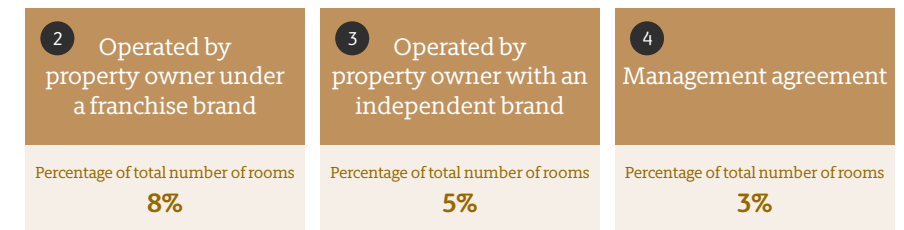
In some cases it may be better to give the hotel a whole new profile of its own using an independent brand created by Pandox, for example in a local market where an interna-

Four business models in the hotel property market

PROPERTY MANAGEMENT



OPERATOR ACTIVITIES



tional brand has a low recognition factor and the costs of rights and distribution cannot be justified.

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.

Fast and strong market recovery in 2022

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In 2022 the hotel market returned to a close to normal seasonal pattern and business mix. From a nominal RevPAR perspective, it has recovered fully after the pandemic. The year had a weak start with the hotel market in a seasonal and restrictions-related holding pattern. Demand increased significantly once restrictions were lifted, initially driven by the leisure segment and with a similar trend to before – with regional cities relatively stronger than major cities. As physical offices were reopened and travel and conference activity increased, the business segment also contributed to demand and occupancy in Europe reaching 46 percent in the first quarter.

The recovery gained strength during the spring. The UK, Denmark and Norway, which lifted their coronavirus restrictions early on, saw stronger development than, for example, Germany and Finland where reopening happened later and the recovery only really amped up towards the end of the second quarter. Heading into the summer the occupancy gap between large international cities and regional cities diminished. For Europe as a whole, occupancy reached 70 percent in the second quarter. Average room rates also developed strongly in the spring, driven by pent-up demand in the leisure segment. Average room rates for week-days, which rely the most on business demand, also improved gradually after Easter.

This progress was sustained during the summer, mainly driven by strong pent-up demand from the leisure segment at weekends and during the holiday period. The staycation trend continued and, in comparison with 2021, significantly higher occupancy rates were noted in major cities, which is explained a significant increase in events. Towards the autumn demand in the business and conference segments improved gradually and reached more normal levels in most markets towards the end of the third quarter. Intra-European travel, which is important for the hotel industry, normalised at the same time as international arrivals to Europe improved considerably. Occupancy in the third quarter amounted to around 75 percent for Europe as a whole.

The fourth quarter followed the same trend as the third quarter, with slightly lower occupancy than the 2019 level and average room rates settling at a significantly higher level than before the pandemic. Occupancy in Europe reached 66 percent in the fourth quarter. Demand in the business segment improved but did not fully reach prepandemic levels.

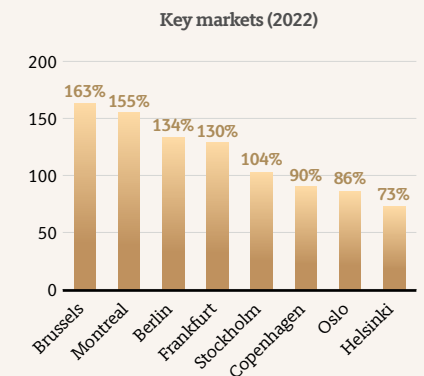
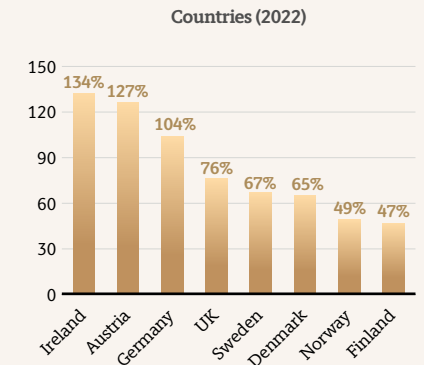
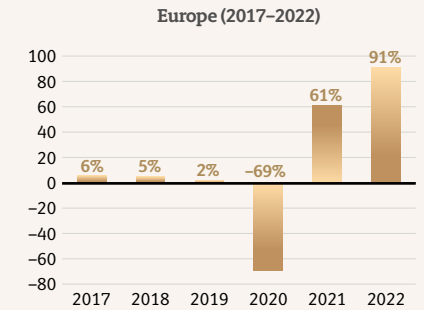
Further potential in some demand segments

In 2022 demand was strong throughout the domestic leisure segment and demand in the domestic business segment improved significantly as the year progressed. In general, destinations

that are more dependent on international travel had weaker development, in particular those destinations with a larger percentage of long-haul flights. Markets with a high proportion of international conferences and larger events also lagged behind.

Overall, RevPAR at the end of 2022 was back to prepandemic levels (nominally), the difference being that average room rates were higher and occupancy was slightly lower. Some international demand was still absent and there is therefore still potential for improvement. This is also the case for larger conferences and trade fairs, which take longer to plan and fill up. The lifting of Covid-19 restrictions in China should also lead to increased travel from China to Europe, particularly in the second half of 2023. This will benefit larger, classic tourist destinations and big cities in particular, but airport hotels by larger airports will also benefit from it.

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.

RevPAR development in 2022

There was very strong growth in average room rates in most markets during the year and this more than compensated for occupancy that did not fully reach 2019 levels. Altogether this has resulted in RevPAR for Pandox exceeding the levels noted in 2019.

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.

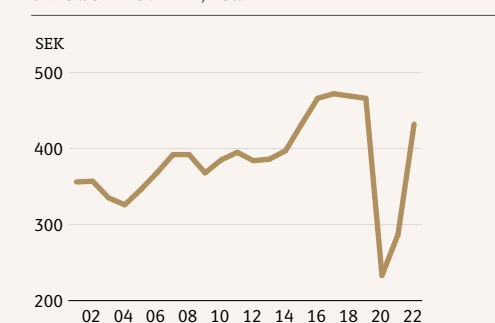
From RevPAR to rental income

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)

REVPAR CATEGORIES OF CITIES WITH EXAMPLES

SEK	2022	2021	Change, %
International cities			
London	1,684	685	146
Amsterdam	1,105	297	273
Dublin	1,401	451	211
Regional cities			
Copenhagen	980	515	90
Cologne	699	325	115
Stockholm	759	378	103
Manchester	766	481	59
Domestic cities			
Leeds	763	477	60
Dortmund	482	257	88
Kuopio	671	545	23
Linköping	497	334	49
Sheffield	663	401	65

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

Shares and ownership structure

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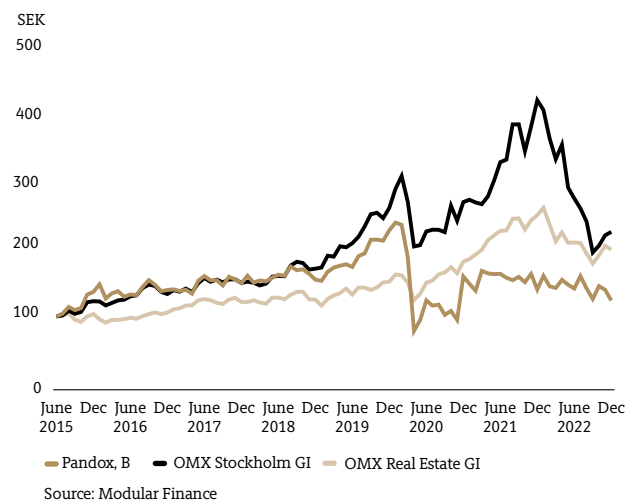
- Sustainability +

- Governance +

- Financial +

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.

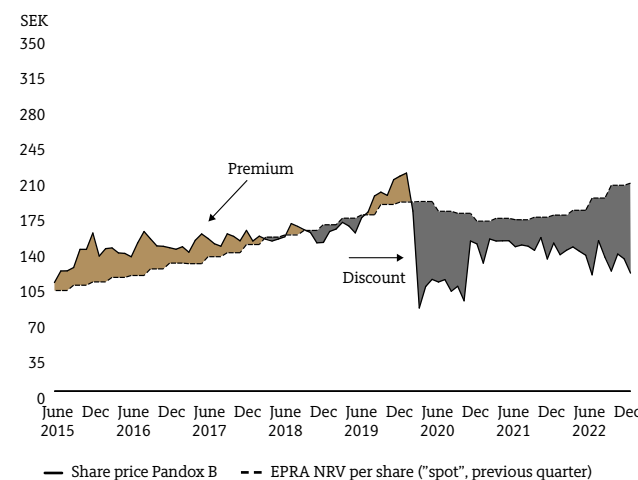
TOTAL RETURN ON PANDOX SHARES
18 June 2015–31 December 2022



Pandox's total return over time

The Pandox share's total return in 2022 was -20 percent. Calculated from the share's first trading day on 18 June 2015, the total return at year-end was +22 percent.

THE PANDOX SHARE AND EPRA NRV PER SHARE
18 June 2015–31 December 2022



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 152 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 2023. For information about the AGM and how it will be held, visit pandox.se.

Annual General Meeting calendar

Record date for the	
Annual General Meeting	31 March 2023
Annual General Meeting	12 April 2023

PROPOSED DIVIDEND

At the 2023 Annual General Meeting the Board of Directors will propose a dividend of MSEK 2.50 (-) per share, equivalent to a total of MSEK 460 (-), for the 2022 financial year.

FINANCIAL CALENDAR

Annual General Meeting 2023	12 April 2023
Interim Report January–March 2023	26 April 2023
Interim Report April–June 2023	14 July 2023
Interim Report July–September 2023	26 October 2023
Year-End Report 2023	8 February 2024

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Reasons to invest in Pandox

Strategy and operations +

Market and trends -

Pandox in the world

Trends and drivers

Market and agreement structure

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● The Pandox share

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Sustainability +

Governance +

Financial +

At year-end 2022 listed property companies accounted for around 3 percent of the value on the FTSE Global All Cap Index, with residential, retail, offices, industry and logistics the dominant segments. Hotel properties constitute a small part of the property market.

Few listed specialists (competitors)

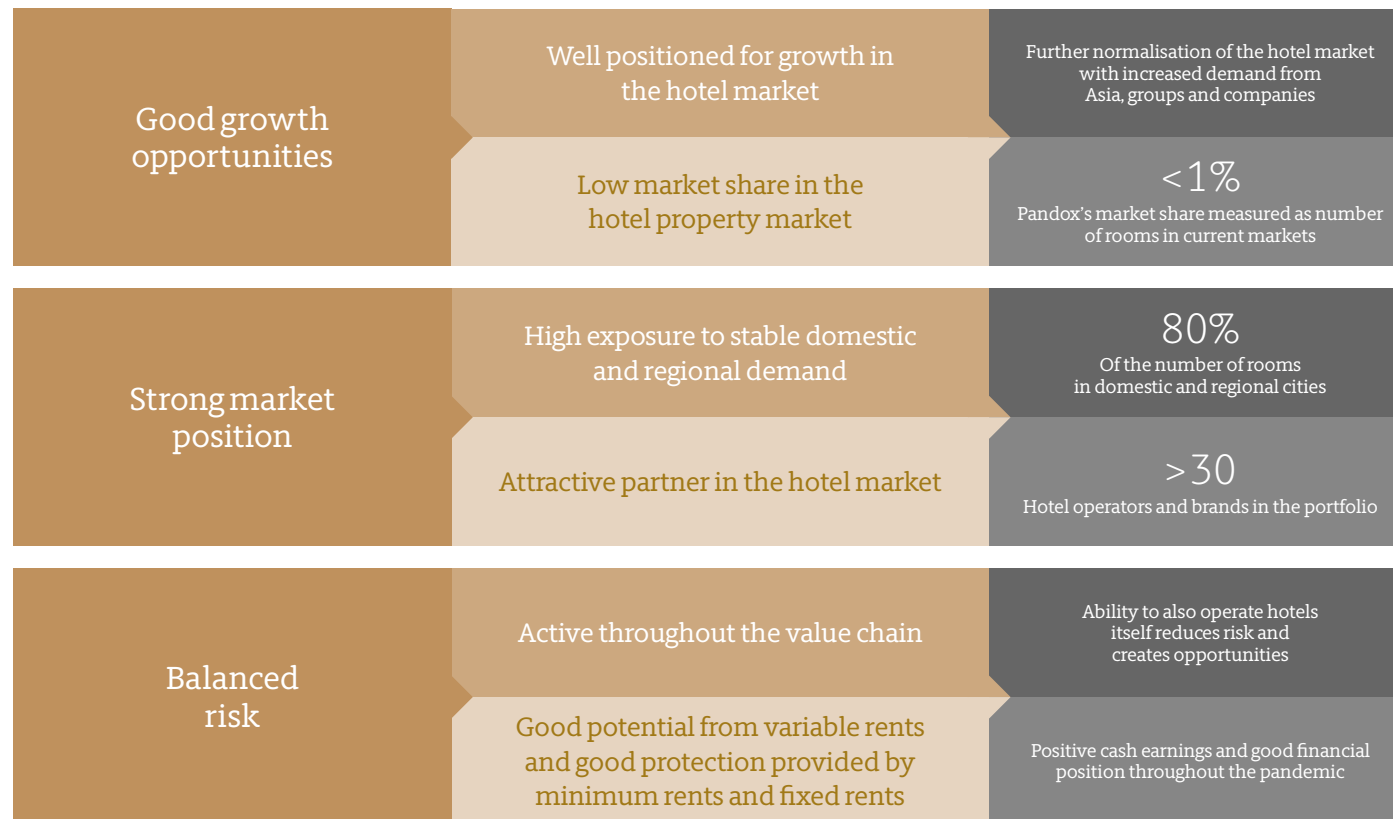
Listed specialists in hotel properties in Europe other than Pandox (Nasdaq Stockholm, PNDX) are PPHE Hotel Group (London Stock Exchange, PPH) and Covivio Hotels (Euronext Paris, COVH). Other property companies with significant hotel property exposure include Aroundtown (Frankfurt Stock Exchange, AT1)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

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

Green Street
Edoardo Gili

The share and ownership structure

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- Sustainability +

- Governance +

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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 2022 the last price paid for the class B shares was SEK 116.40 (146.00) and the visible market cap was MSEK 12,670 (15,892). With the unlisted class A shares included at the same price as the class B shares, the market cap was MSEK 21,358 (26,842).

In 2022 the change in the value of Pandox shares was -20 (+0.5) percent, compared with the OMX Stockholm Benchmark PI Index at -23 (+32) percent and the OMX Stockholm Real Estate PI Index at -45 (+44) percent.

Largest shareholders as of 31 December 2022

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		25,571,387	13.9	7.7
Alecta Pensionsförsäkring		6,787,577	3.7	2.0
Fjärde AP-fonden		4,157,467	2.3	1.3
Vanguard		3,521,988	1.9	1.1
BlackRock		3,074,921	1.7	0.9
Länsförsäkringar Fonder		3,070,659	1.7	0.9
Swedbank Robur Fonder		2,300,704	1.3	0.7
Norges Bank		2,174,821	1.2	0.7
Nordea Fonder		1,523,435	0.8	0.5
PGIM Investments		1,402,297	0.8	0.4
Handelsbanken Fonder		1,389,118	0.8	0.4
APG Asset Management		1,347,213	0.7	0.4
Total, top 15 shareholders	74,628,750	75,690,337	81.8	89.7
Other shareholders	371,250	33,159,662	18.2	10.3
Total	75,000,000	108,849,999	100	100

Information compiled by Monitor as of 31 December 2022.
Sources: Euroclear Sweden, Morningstar, Finansinspektionen (FI), Nasdaq and Millstream.

Calculated from the date of listing, 18 June 2015, the value of Pandox shares at year-end 2022 had increased by 9 percent compared to 80 percent for the OMX Stockholm Real Estate PI Index and 84 percent for the OMX Stockholm Benchmark PI Index. The total return on Pandox shares over the same period was +22 percent.

Trading and liquidity

Trading on Nasdaq Stockholm accounted for 35 (44) percent of all trading in Pandox shares in 2022. During the year around 48 (79) million class B shares were traded on Nasdaq Stockholm, corresponding to around 44 (73) percent of outstanding class B shares at year-end, for a value of around MSEK 6,300 (9,900). Average daily trading on Nasdaq Stockholm during the year amounted to 188,413 (312,085) shares, corresponding to around MSEK 25 (45) in value.

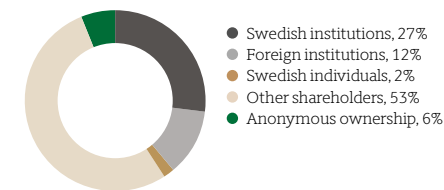
Trading in marketplaces other than Nasdaq Stockholm amounted to 65 (56) percent. In terms of type of transaction, ongoing trading transacted directly on the stock exchange amounted to around 33 (44) percent and trades reported on the stock exchange to around 29 (25) percent.

Ownership structure and number of shares

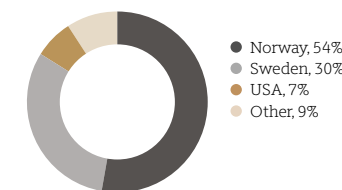
As of 31 December 2022 Pandox had 8,872 (10,760) shareholders. Pandox's largest shareholders were Eiendomsspar AS, Helene Sundt AB and Christian Sundt AB. Other major shareholders were, in descending order, AMF Försäkring & Fonder, Alecta Pensionsförsäkring and Fjärde AP-fonden.

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.

Shareholders by category as percentage of capital
31 December 2022



Shareholders by country as percentage of capital
31 December 2022



Information compiled by Monitor as of 31 December 2022.
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 21,358 (class A and B shares)
- Share volatility:** 38.1% (from 18 June 2015, annual basis)
- Share beta value:** 1.07 (from 18 June 2015, OMXSBPI)
- Average daily trading volume:** 188,413 shares (2022)

Source: Nasdaq, InFront, Euroclear, Monitor, Pandox.
As of 31 December 2022.

Strategy and operations	+
Market and trends	-
Pandox in the world	
Trends and drivers	
Market and agreement structure	
Market overview 2022	
RevPAR	
● The Pandox share	
Properties	+
Sustainability	+
Governance	+
Financial	+

KEY RATIOS

	2022	2021	2020	2019	2018
Key ratios per share, after dilution effects ¹⁾					
Total net operating income, SEK	18.68	10.91	10.06	18.43	18.25
Profit for the year, SEK	22.94	3.32	-7.61	15.91	16.83
Cash earnings, SEK ³⁾	11.18	3.88	3.64	12.84	11.28
Equity, SEK ³⁾	167.15	137.14	129.88	143.32	127.63
Net asset value (EPRA NRV), SEK	205.03	173.54	167.60	186.40	164.04
Dividend, SEK ²⁾	2.50	—	—	—	4.70
Market cap and return					
Market cap, MSEK	23,976	26,842	26,658	38,976	24,555
Return, Pandox shares, %	-20	0.5	-33.9	45.2	-7.5
Return, OMX Stockholm Benchmark Index, %	-23	32	10.9	26.3	-8.3
Return, OMX Stockholm Real Estate Index, %	-45	44	-5.9	59.2	9.7
Dividend pay-out ratio of cash earnings, %	22.4	—	—	—	41.6
Dividend pay-out ratio of EPRA NRV, %	1.2	—	—	—	2.9
Dividend yield, %	2.2	—	—	—	3.2
Share data					
Closing price, class B shares, SEK	116.40	146.00	145.20	212.00	146.60
Highest price during the year, SEK	153.30	168.10	227.50	219.50	170.00
Lowest price during the year, SEK	103.60	123.60	50.20	143.00	135.00
Average price during the year, SEK	132.30	144.40	110.76	182.55	151.73
Average daily trading volume, number of class B shares (Nasdaq Stockholm)	188,413	312,085	708,576	120,273	120,121
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	108,850	95,053	92,499
Weighted average number of class B shares, after dilution effects, thousands	108,850	108,850	108,850	95,053	92,499
Number of class B shares at end of period, thousands	108,850	108,850	108,850	108,850	92,499
Weighted average number of shares, total, after dilution effects, thousands	183,850	183,850	183,850	170,053	167,499
Total number of shares at end of period, thousands	183,850	183,850	183,850	183,850	167,499

¹⁾ For definitions of key ratios, see page 151.

²⁾ For 2022 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 2022

Holding	Number of shareholders	% of share capital	% of votes
1-500	7,675	0.4	0.2
501-1,000	512	0.2	0.1
1,001-5,000	465	0.6	0.3
5,001-10,000	68	0.3	0.2
10,001-20,000	27	0.2	0.1
20,001-50,000	39	0.7	0.4
50,001-	86	91.9	95.6
Anonymous ownership	—	5.8	3.2
Total	8,872	100	100

Source: Monitor as of 31 December 2022.

[Strategy and operations](#) +[Market and trends](#) +[Properties](#) -[Geographical overview](#)[Property portfolio](#)[Change in property value](#)[Hotel property list](#)[Sustainability](#) +[Governance](#) +[Financial](#) +

Hotelism by Pandox

3

Properties

Pandox's hotel property portfolio consists of 157 hotels with around 35,490 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.



- Strategy and operations +

- Market and trends +

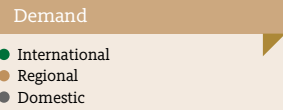
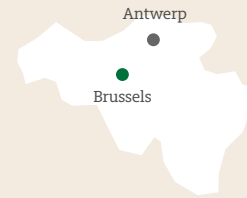
- Properties -
 - Geographical overview
 - Property portfolio
 - Change in property value
 - Hotel property list

- Sustainability +

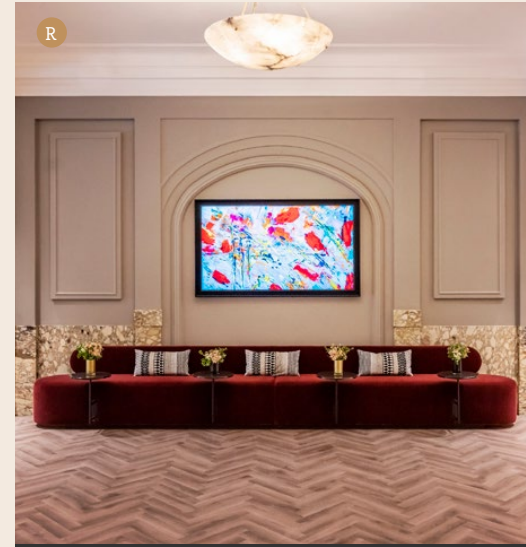
- Governance +

- Financial +

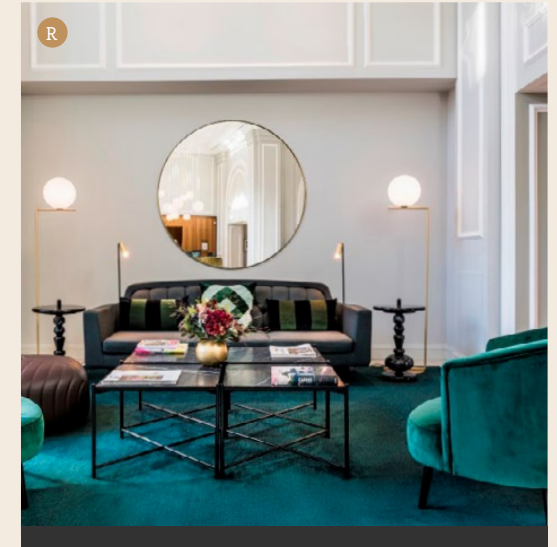
Belgium



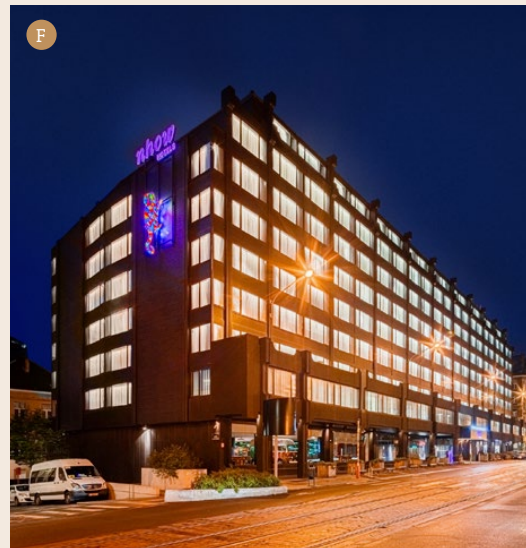
Hotel Indigo Brussels City
284 rooms Green Key SafeGuard BREEAM



DoubleTree by Hilton Brussels City
354 rooms Green Key SafeGuard



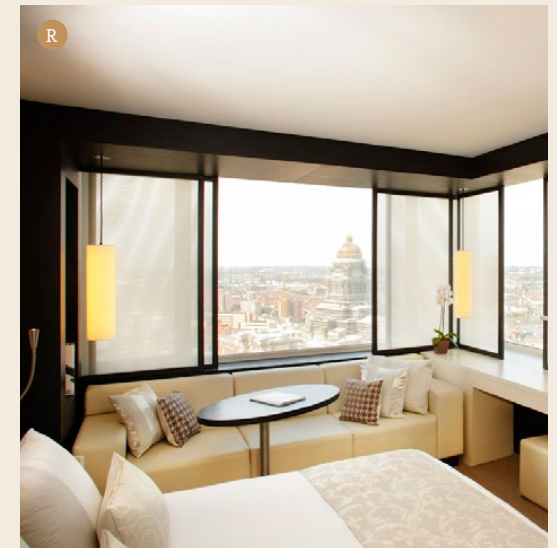
Hilton Grand Place Brussels
224 rooms Green Key IHG Green Engage ISO 50001



nhow Brussels Bloom
305 rooms Green Key



Hotel Hubert Brussels
100 rooms Green Key BREEAM



The Hotel, Brussels
421 rooms Green Key SafeGuard

F Property Management
R Operator Activities

- Strategy and operations +

- Market and trends +

- Properties -
 - Geographical overview
 - Property portfolio
 - Change in property value
 - Hotel property list

- Sustainability +

- Governance +

- Financial +

Denmark



Demand

- International
- Regional
- Domestic

Share of Pandox

- 5% 8 hotels
- 5% 1,843 rooms
- 6% of market value



Urban House Copenhagen by MEININGER
228 rooms



Scandic Hvidovre
207 rooms Nordic Swan



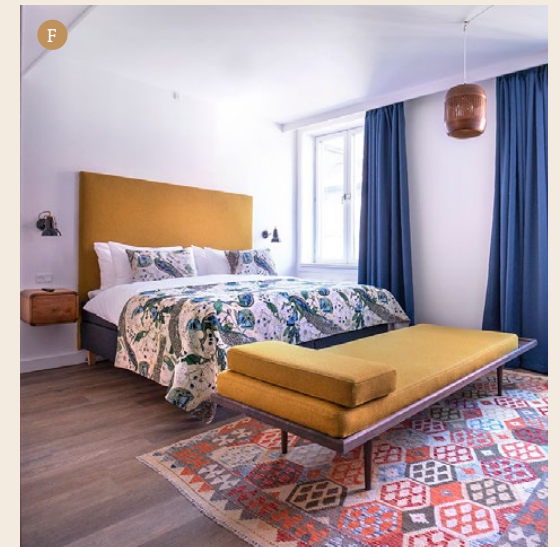
Hotel Mayfair
203 rooms Green Key



Scandic Copenhagen
486 rooms Nordic Swan



Scandic Glostrup
120 rooms Nordic Swan



Motel One Copenhagen
200 rooms ISO 14001, ISO 50001 Green Key

- F Property Management
- R Operator Activities

- Strategy and operations +

- Market and trends +

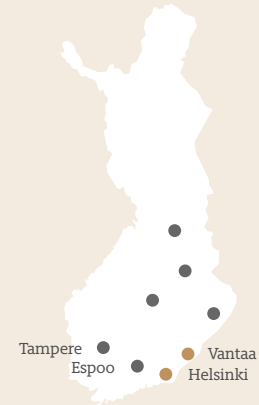
- Properties -
 - Geographical overview
 - Property portfolio
 - Change in property value
 - Hotel property list

- Sustainability +

- Governance +

- Financial +

Finland



Demand

- International
- Regional
- Domestic

Share of Pandox

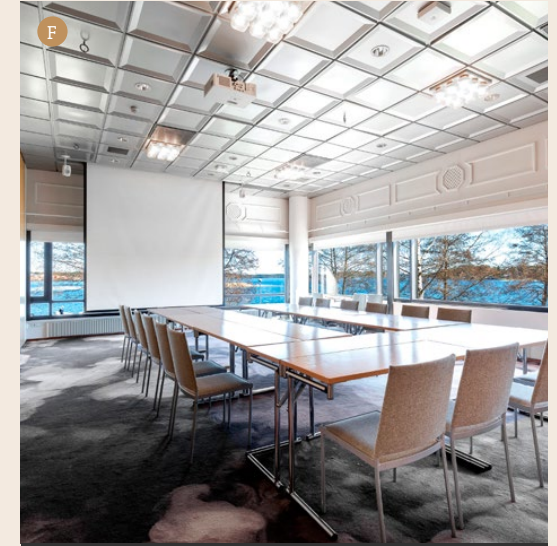
9% 14 hotels
 8% 4,671 rooms
 7% of market value



Scandic Park Helsinki
 523 rooms
 Nordic Swan



Scandic Tampere City
 263 rooms
 Nordic Swan



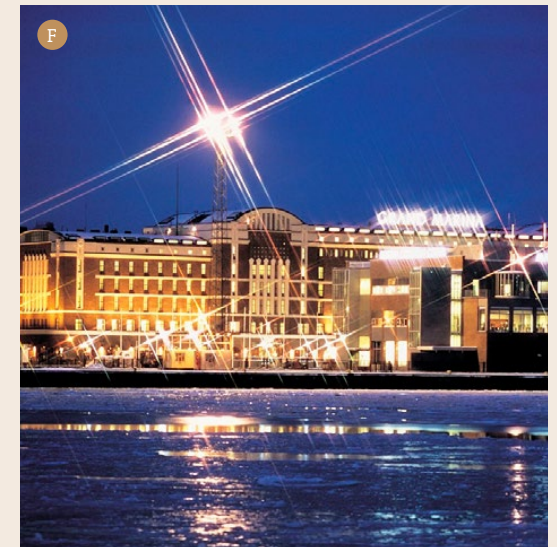
Scandic Kuopio
 137 rooms
 Nordic Swan



Pilot Airport Hotel
 109 rooms
 Nordic Swan



Hilton Helsinki Strand
 190 rooms
 Nordic Swan



Scandic Grand Marina
 470 rooms
 Nordic Swan

- Property Management
- Operator Activities

- Strategy and operations +

- Market and trends +

- Properties -
 - Geographical overview
 - Property portfolio
 - Change in property value
 - Hotel property list

- Sustainability +

- Governance +

- Financial +

Canada



InterContinental Montreal¹⁾
357 rooms

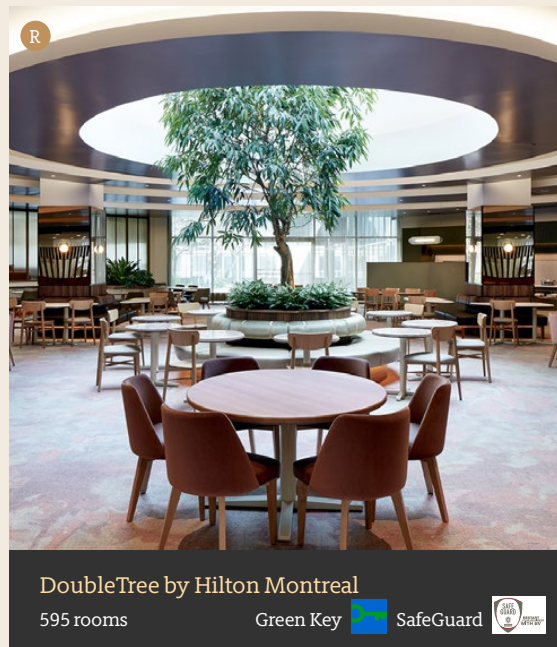


Demand

- International
- Regional
- Domestic

Share of Pandox

- 1% 2 hotels
- 3% 952 rooms
- 2% of market value



DoubleTree by Hilton Montreal
595 rooms



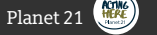
- F Property Management
- R Operator Activities

¹⁾ InterContinental Montreal divested as of 1 February 2023.

Netherlands



Novotel Den Haag World Forum
216 rooms

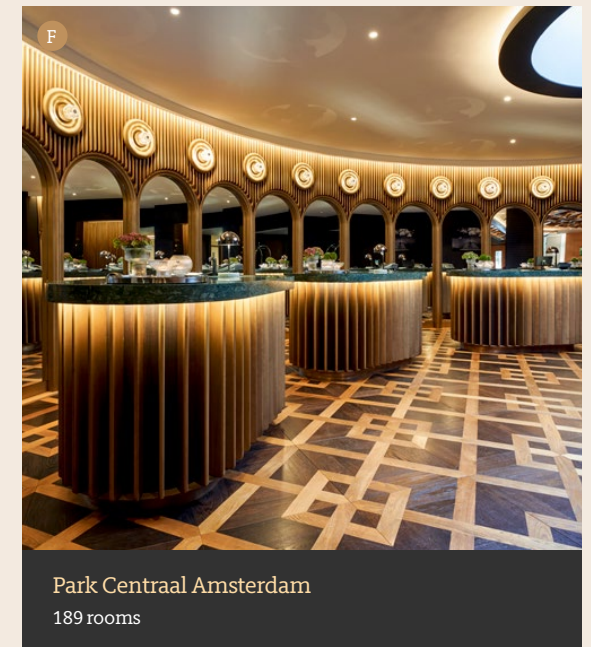


Demand

- International
- Regional
- Domestic

Share of Pandox

- 1% 2 hotels
- 1% 405 rooms
- 2% of market value



Park Centraal Amsterdam
189 rooms

- Strategy and operations +

- Market and trends +

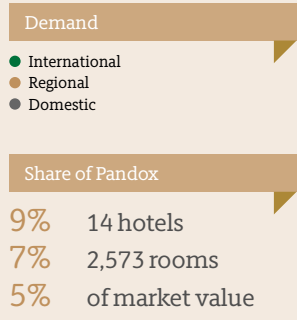
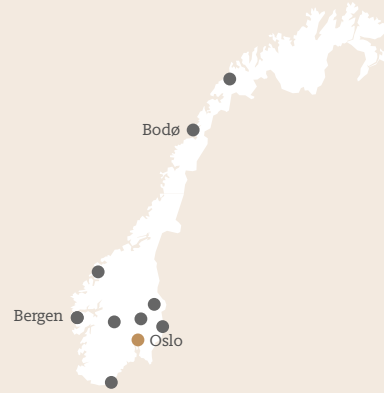
- Properties -
 - Geographical overview
 - Property portfolio
 - Change in property value
 - Hotel property list

- Sustainability +

- Governance +

- Financial +

Norway



Scandic Solli
226 rooms

Nordic Swan

Radisson Blu Hotel, Bodø
191 rooms

Green Key

Clarion Collection Bastion
99 rooms

ISO 14001

Scandic Sørlandet
210 rooms

Nordic Swan

Comfort Hotel Bergen
159 rooms

ISO 14001

Scandic Lillehammer
303 rooms

F Property Management
R Operator Activities

- Strategy and operations +

- Market and trends +

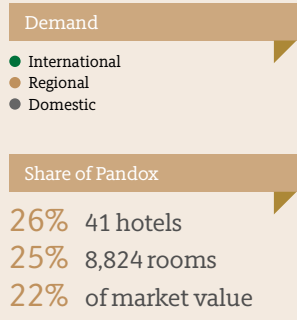
- Properties -
 - Geographical overview
 - Property portfolio
 - Change in property value
 - Hotel property list

- Sustainability +

- Governance +

- Financial +

Sweden



F

Scandic Grand Örebro
224 rooms

Nordic Swan

F

Elite Stora Hotellet Jönköping
167 rooms

Green Key

F

Hilton Stockholm Slussen
289 rooms

Green Key

F

Vildmarkshotellet Kolmården
213 rooms

Nordic Swan

F

Scandic Park Stockholm
203 rooms

Nordic Swan

F

Radisson Blu Arlandia
342 rooms

Green Key

F Property Management
R Operator Activities

Download as PDF to print out

Strategy and operations +

Market and trends +

Properties -

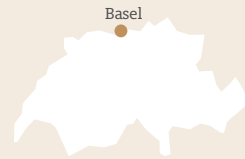
- Geographical overview
- Property portfolio
- Change in property value
- Hotel property list

Sustainability +

Governance +

Financial +

Switzerland



Demand

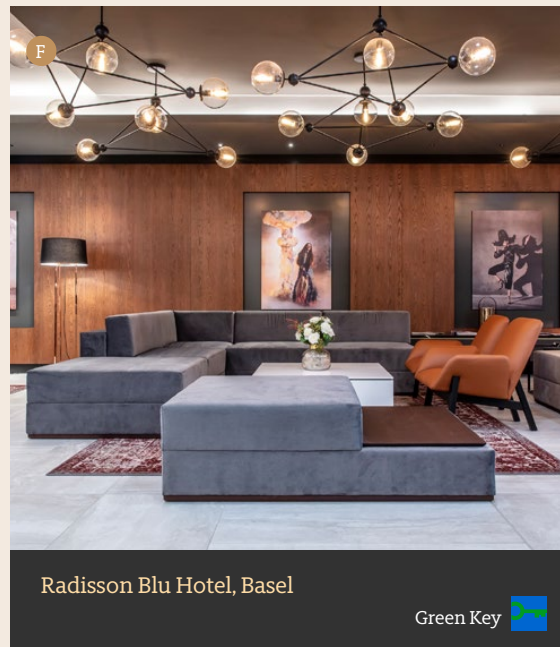
- International
- Regional
- Domestic

Share of Pandox

- 1% 1 hotel
- 1% 206 rooms
- 1% of market value



Radisson Blu Hotel, Basel
206 rooms



Radisson Blu Hotel, Basel



Austria

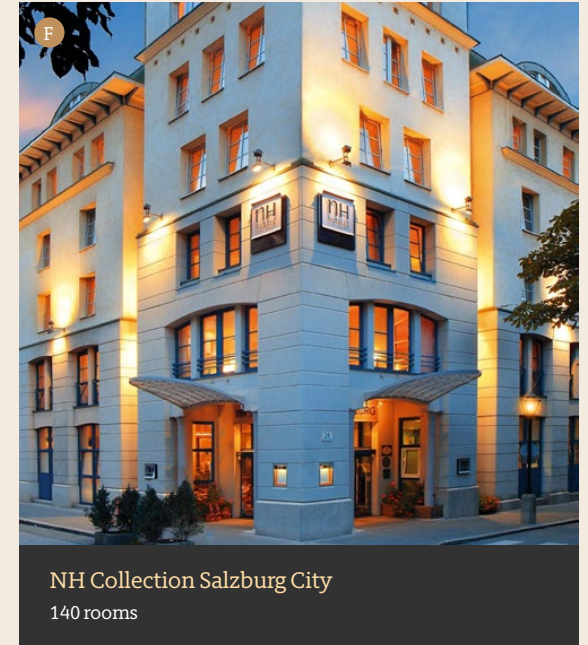


Demand

- International
- Regional
- Domestic

Share of Pandox

- 1% 2 hotels
- 2% 639 rooms
- 2% of market value



NH Collection Salzburg City
140 rooms



NH Vienna Airport
499 rooms

ISO 14001

- Strategy and operations +

- Market and trends +

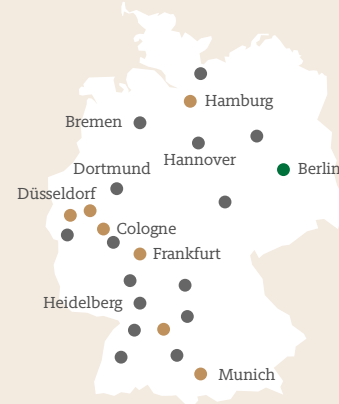
- Properties -
 - Geographical overview
 - Property portfolio
 - Change in property value
 - Hotel property list

- Sustainability +

- Governance +

- Financial +

Germany



Demand

- International
- Regional
- Domestic

Share of Pandox

24% 38 hotels
 24% 8,361 rooms
 25% of market value

F

Dorint Parkhotel Bad Neuenahr
 238 rooms

Planet 21

F

Dorint Hotel am Dom Erfurt
 160 rooms

Planet 21

F

Leonardo Royal Köln am Stadtwald
 150 rooms

R

Holiday Inn Lübeck
 159 rooms

IHG Green Engage

F

NH Munich Airport
 236 rooms

ISO 14001

F

Mercure Hotel München Neuperlach Süd
 253 rooms

Planet 21

F Property Management
R Operator Activities

► Germany, cont.

- Strategy and operations +

- Market and trends +

- Properties -
 - Geographical overview
 - Property portfolio
 - Change in property value
 - Hotel property list

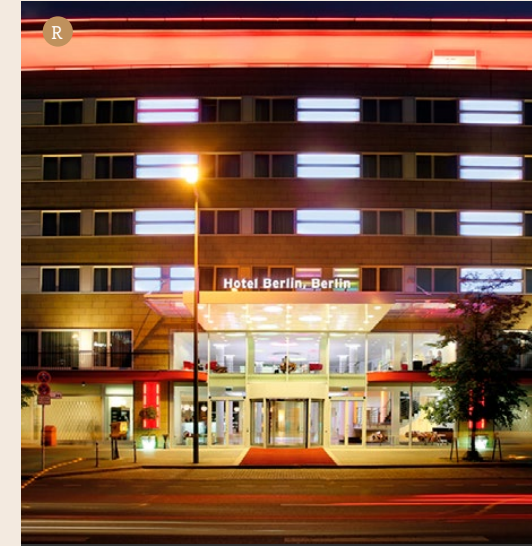
- Sustainability +

- Governance +

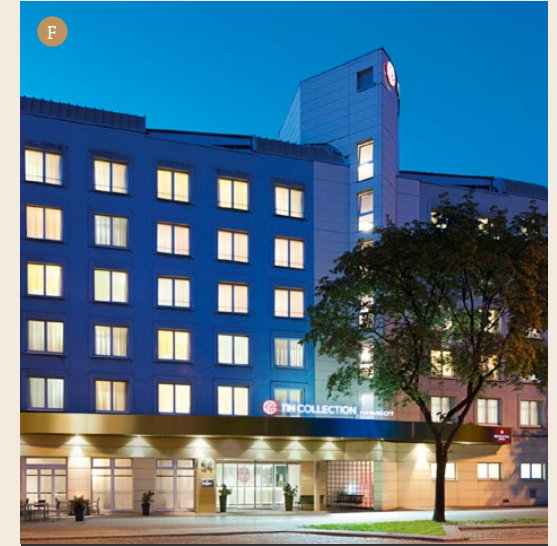
- Financial +



Leonardo Royal Hotel Frankfurt
449 rooms



Hotel Berlin, Berlin
701 rooms Green Key SafeGuard ISO 14001



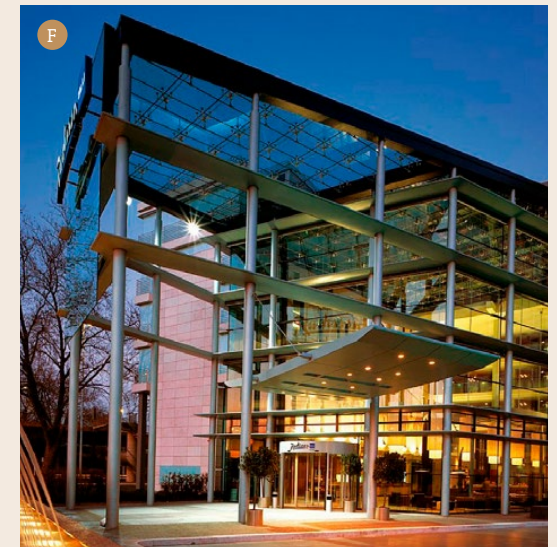
NH Collection Hamburg City
129 rooms



Leonardo Hotel Hannover Airport
214 rooms



Radisson Blu Hotel, Bremen
235 rooms Green Key SafeGuard BREEAM



Radisson Blu Hotel, Cologne
393 rooms Green Key

F Property Management
R Operator Activities

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- Strategy and operations +

- Market and trends +

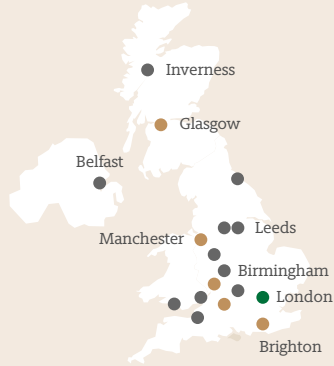
- Properties -
 - Geographical overview
 - Property portfolio
 - Change in property value
 - Hotel property list

- Sustainability +

- Governance +

- Financial +

United Kingdom



Demand

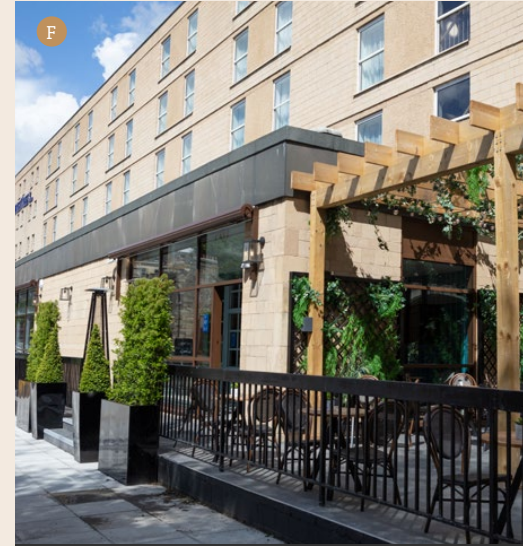
- International
- Regional
- Domestic

Share of Pandox

15% 23 hotels
 16% 5,608 rooms
 17% of market value



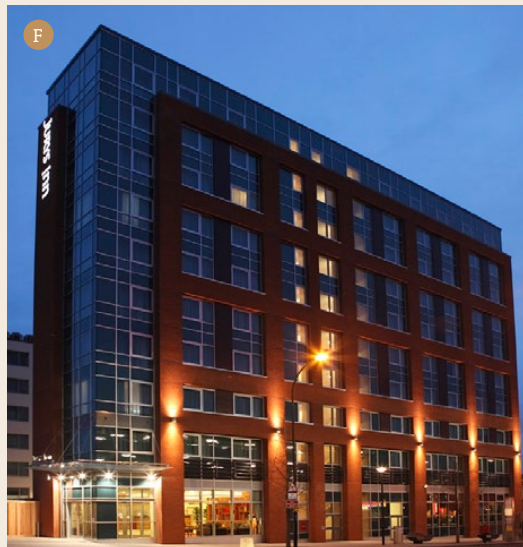
The Midland Hotel, Manchester
 312 rooms Green Tourism Gold



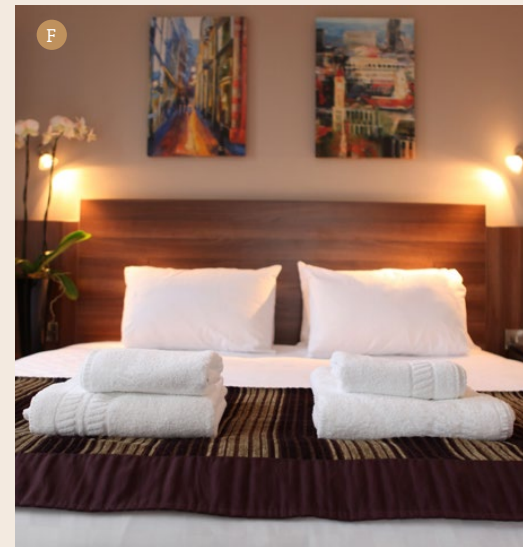
DoubleTree by Hilton Bath
 176 rooms



Hilton Garden Inn London Heathrow Airport
 364 rooms BREAM



Leonardo Hotel Sheffield
 259 rooms



Leonardo Royal Hotel Birmingham
 445 rooms



Aparthotel Adagio Edinburgh Royal Mile
 146 rooms

- F Property Management
- R Operator Activities

- Strategy and operations +

- Market and trends +

- Properties -
 - Geographical overview
 - Property portfolio
 - Change in property value
 - Hotel property list

- Sustainability +

- Governance +

- Financial +

Ireland



Demand

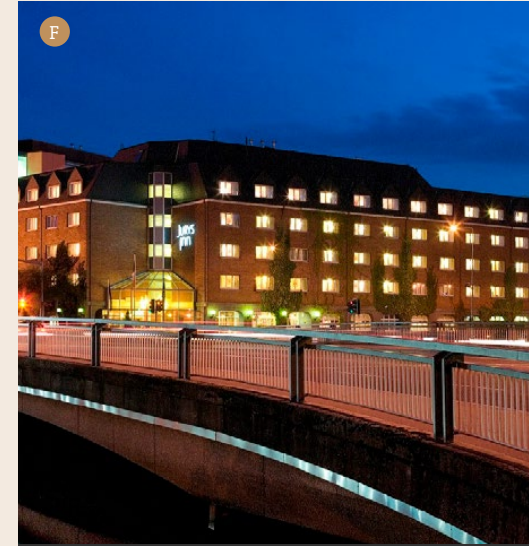
- International
- Regional
- Domestic

Share of Pandox

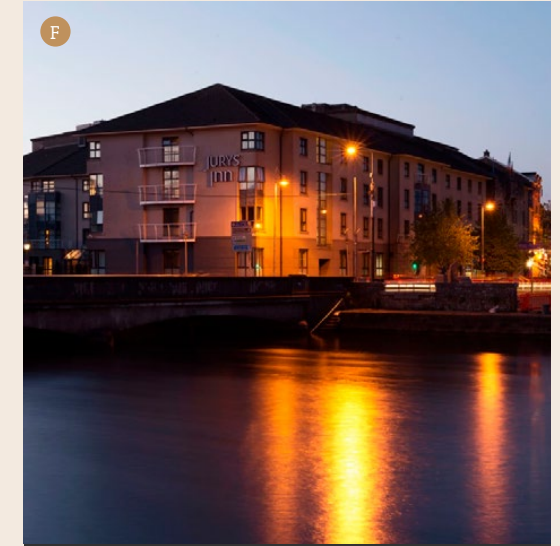
- 2% 3 hotels
- 1% 445 rooms
- 2% of market value



Jurys Inn Dublin Christchurch
182 rooms



Jurys Inn Cork
133 rooms



Jurys Inn Galway
130 rooms



Jurys Inn Dublin Christchurch



Jurys Inn Cork

- F Property Management
- R Operator Activities

Property portfolio

- Strategy and operations +

- Market and trends +

- Properties -
 - Geographical overview
 - Property portfolio
 - Change in property value
 - Hotel property list

- Sustainability +

- Governance +

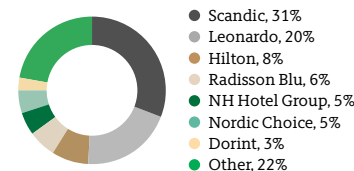
- Financial +

At year-end 2022, Pandox's property portfolio consisted of 157 (157) hotel properties with 35,490 (35,372) hotel rooms in 15 (15) countries.

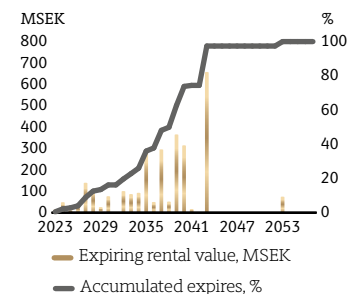
The Property Management business segment covers more than 80 percent of the portfolio's total market value of external leases. The tenants are reputable hotel operators with strong hotel brands in their respective markets.

The remainder consists of the Operator Activities business segment, in which Pandox operates hotels itself.

Rooms by operator/brand, 31 December 2022



Lease maturity profile, 31 December 2022



PORTFOLIO OVERVIEW BY SEGMENT AND COUNTRY, 31 DECEMBER 2022

Property Management	Number		Market value (MSEK)		
	Hotels	Rooms	Per country	As % of total	Per room
Sweden (SE)	41	8,824	15,436	22	1.7
Germany (DE)	33	6,871	13,124	19	1.9
United Kingdom (UK)	20	4,821	10,682	15	2.2
Finland (FI)	12	2,742	4,511	7	1.6
Norway (NO)	14	2,573	3,575	5	1.4
Denmark (DK)	7	1,642	3,548	5	2.2
Belgium (BE)	3	765	1,380	2	1.8
Austria (AT)	2	639	1,572	2	2.5
Ireland (IE)	3	445	1,601	2	3.6
Switzerland (CH)	1	206	896	1	3.8
Netherlands (NL)	1	189	1,239	2	6.6
Total Property Management	137	29,717	57,563	83	1.9
Operator Activities					
Belgium (BE)	7	1,967	4,156	6	2.1
Germany (DE)	5	1,490	3,840	6	2.6
Canada (CA)	2	952	1,446	2	1.5
United Kingdom (UK)	3	787	1,358	2	1.7
Netherlands (NL)	1	216	404	1	1.9
Denmark (DK)	1	201	438	1	2.2
Finland (FI)	1	160	26	0	0.2
Total Operator Activities	20	5,773	11,669	17	2.0
Total	157	35,490	69,231	100	2.0

PORTFOLIO OVERVIEW BY BRAND, 31 DECEMBER 2022

Brand	Number			Countries
	Hotels	Rooms	As % of total	
Scandic	49	10,853	31	SE, NO, FI, DK
Leonardo ¹⁾	34	7,742	20	UK, IE, DE
Hilton	9	2,840	8	SE, FI, UK, BE, CA
Radisson Blu	8	2,033	6	CH, DE, UK, NO, SE
Nordic Choice Hotels	11	1,887	5	SE, NO
NH Hotels	7	1,681	5	AT, BE, DE
Dorint	5	1,085	3	DE
Mercure	4	760	2	DE
Jurys Inn	4	715	2	IE
Elite Hotels	2	492	1	SE
Holiday Inn	2	469	1	BE, DE
Novotel	2	421	1	DE, NL
InterContinental	1	357	1	CA
Indigo	1	284	1	BE
Crowne Plaza	1	262	1	BE
Pullman	1	252	1	DE
Citybox	1	246	1	BE
Meininger	1	228	1	DK
Motel One	1	200	1	DK
Adagio	1	146	0	UK
Best Western	1	103	0	SE
Independent brands	11	2,933	9	SE, FI, BE, DE, NL, UK
Total	157	35,490	100	15²⁾

¹⁾ During the year 16 Jurys Inn hotels were rebranded to Leonardo.

²⁾ Including the submarkets England, Scotland, Wales and Northern Ireland.

Change in property value

- Strategy and operations +

- Market and trends +

- Properties -
 - Geographical overview
 - Property portfolio
 - Change in property value
 - Hotel property list

- Sustainability +

- Governance +

- Financial +

At year-end 2022 Pandox's property portfolio had a total market value of MSEK 69,231 (62,596), of which MSEK 57,563 (52,215) was for investment properties and MSEK 11,669 (10,380) for operating properties. 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 8,450 (8,015).

At year-end 2022 the average valuation yield amounted to 5.58 (5.44) percent for investment properties and 6.50 (6.38) percent for operating properties.

[Read more about Pandox's valuation of hotel properties on pages 165-170](#)

MIXED DEVELOPMENT IN THE TRANSACTION MARKET IN 2022

The global hotel transaction market saw a decline in volume in 2022 as a result of geopolitical tensions in Europe, but with great variation between regions.

Trends in the hotel market in 2023:

- Continued disconnect between strong hotel market and macroeconomic headwinds
- Continued focus on single-asset transactions, as large portfolios can be difficult to finance
- Increased international travel and cross-border hotel transactions

DECREASED TRANSACTION ACTIVITY EXPECTED IN 2023

JLL anticipates that volumes in the transaction market will contract by 5 to 10 percent in 2023 as a result of the uncertain economic situation.

Source: JLL Global Hotel Investment Outlook 2023.

CHANGE IN VALUE - INVESTMENT PROPERTIES

	MSEK
Investment properties, opening balance (1 January 2022)	52,215
+ Acquisitions	365
+ Investments in existing portfolio	432
- Divestments	-126
+/- Reclassifications	878
+ Remeasurement for the year of property, plant and equipment in comprehensive income	—
+/- Change in value, unrealised	1,185
+/- Change in value, realised	-5
+/- Change in exchange rates	2,619
Investment properties, closing balance (31 December 2022)	57,563

CHANGE IN VALUE - OPERATING PROPERTIES (REPORTED FOR INFORMATION PURPOSES ONLY)

	MSEK
Operating properties, opening balance (1 January 2022)	10,380
+ Acquisitions	537
+ Investments in existing portfolio	430
- Divestments	—
+/- Reclassifications	-878
+/- Change in value, unrealised	331
+/- Change in value, realised	—
+/- Change in exchange rates	896
Operating properties, closing balance (31 December 2022)	11,669

Pandox's own brands, 31 December 2022

The Hotel.
BRUSSELS

Hotel Berlin, Berlin

Hotel Hubert
Grand Place

HOTEL
mayfair


HOTELLI
KORPILAMPI

Hotel Pomander

Property list

Property Management

- Strategy and operations +

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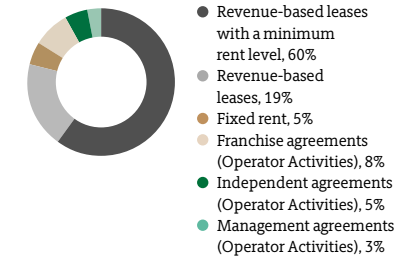
- Governance +

- Financial +

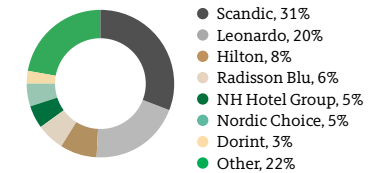
Hotel	City	Location	Environmental certification/ environmental management system	Type of agree- ment	Operator/brand	Sqm	Num- ber of rooms	Brand	Demand
SWEDEN									
Best Western Royal Star, Älvsjö	Stockholm	Congress centre		RM	Private/Best Western	4,900	103	Best Western	R
Clarion Grand Hotel Helsingborg	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
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 Very Good	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 Mölnådal, 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 Segeväng, 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 2022



Rooms by brand, 31 December 2022



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

- Strategy and operations +

- Market and trends +

- Properties -
 - Geographical overview
 - Property portfolio
 - Change in property value
 - Hotel property list

- Sustainability +

- Governance +

- Financial +

Hotel	City	Location	Environmental certification/ environmental management system	Type of agree- ment	Operator/brand	Sq m	Number of rooms	Brand	Demand
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 (EMS)	RM	Private/Independent	9,717	215	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 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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- Strategy and operations +

- Market and trends +

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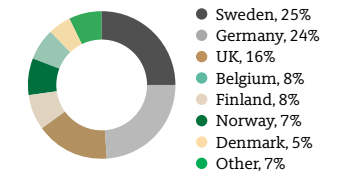
- Governance +

- Financial +

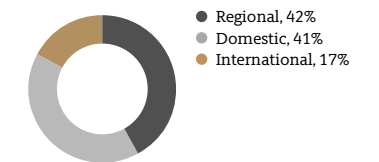
Hotel	City	Location	Environmental certification/ environmental management system	Type of agree- ment	Operator/brand	Sqm	Number of rooms	Brand	Demand
GERMANY									
Dorint Hotel am Main Taunus Zentrum Frankfurt	Frankfurt	Ring road	Planet 21	F	HR Group/Dorint	13,518	282	Dorint	R
Dorint Hotel an der Kongresshalle 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
Hotel Pomander	Nuremberg	City centre	rightandfair, ISO 14040	RM	Pandox/Independent	14,795	311	Independent	D

Facts – total Pandox portfolio

Rooms by country, 31 December 2022



Rooms by demand type, 31 December 2022



Key	
R	Revenue-based
RM	Revenue-based with guaranteed minimum rent
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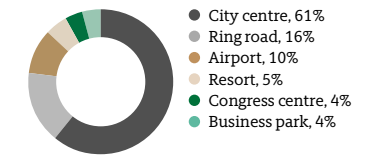
- Governance +

- Financial +

Hotel	City	Location	Environmental certification/ environmental management system	Type of agree- ment	Operator/brand	Sqm	Number of rooms	Brand	Demand
UNITED KINGDOM									
England									
Hilton London Heathrow Airport	London	Airport	ISO 14001, ISO 50001, LightStay	R	Hilton/Hilton	25,090	398	Hilton	I
Leonardo Royal Hotel Birmingham	Birmingham	City centre	Green Tourism	RM	Fattal/Leonardo	27,455	445	Leonardo Hotels	R
Leonardo Hotel Bradford	Bradford	City centre	Green Tourism	RM	Fattal/Leonardo	6,092	198	Leonardo Hotels	D
Leonardo Royal Hotel Brighton Waterfront	Brighton	City centre	Green Tourism	RM	Fattal/Leonardo	11,866	210	Leonardo Hotels	R
Leonardo Hotel Cheltenham	Cheltenham	City centre	Green Tourism	RM	Fattal/Leonardo	6,416	122	Leonardo Hotels	D
Leonardo Hotel East Midlands Airport	East Midlands	Airport	Green Tourism	RM	Fattal/Leonardo	7,869	164	Leonardo Hotels	D
Leonardo Hotel and Conference Venue Hinckley Island	Hinckley	Ring road	Green Tourism	RM	Fattal/Leonardo	28,290	362	Leonardo Hotels	D
Leonardo Hotel Leeds	Leeds	City centre	Green Tourism	RM	Fattal/Leonardo	13,615	248	Leonardo Hotels	D
Leonardo Hotel London Croydon	London	City centre	Green Tourism	RM	Fattal/Leonardo	12,749	240	Leonardo Hotels	I
Leonardo Hotel Manchester	Manchester	City centre	Green Tourism	RM	Fattal/Leonardo	10,160	265	Leonardo Hotels	R
Leonardo Hotel Middlesbrough	Middlesbrough	City centre	Green Tourism	RM	Fattal/Leonardo	8,625	132	Leonardo Hotels	D
Leonardo Royal Hotel Oxford	Oxford	Ring road	Green Tourism	RM	Fattal/Leonardo	16,755	240	Leonardo Hotels	R
Leonardo Hotel Sheffield	Sheffield	City centre	Green Tourism	RM	Fattal/Leonardo	11,600	259	Leonardo Hotels	D
Leonardo Hotel Swindon	Swindon	City centre	Green Tourism	RM	Fattal/Leonardo	9,589	229	Leonardo Hotels	D
The Midland Hotel, Manchester	Manchester	City centre	Green Tourism	RM	Fattal/Independent	34,500	312	Independent	R
Northern Ireland									
Jurys Inn Belfast	Belfast	City centre	Green Tourism	RM	Fattal/Leonardo	13,023	270	Jurys Inn	D
Scotland									
Leonardo Hotel Glasgow	Glasgow	City centre	Green Tourism	RM	Fattal/Leonardo	14,645	321	Leonardo Hotels	R
Leonardo Hotel Inverness	Inverness	City centre	Green Tourism	RM	Fattal/Leonardo	4,993	118	Leonardo Hotels	D
Aparthotel Adagio Edinburgh Royal Mile	Edinburgh	City centre		RM	Adagio/Adagio	8,720	146	Adagio	R
Wales									
Leonardo Hotel Cardiff	Cardiff	City centre	Green Tourism	RM	Fattal/Leonardo	10,400	142	Leonardo Hotels	D
IRELAND									
Jurys Inn Cork	Cork	City centre	Green Tourism	RM	Fattal/Jurys Inn	4,708	133	Jurys Inn	D
Jurys Inn Dublin Christchurch	Dublin	City centre	Green Tourism	RM	Fattal/Jurys Inn	6,475	182	Jurys Inn	I
Jurys Inn Galway	Galway	City centre	Green Tourism	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
NH Brussels Louise	Brussels	City centre		RM	Pandox/NH	9,178	240	NH Hotels	I
Netherlands									
Park Centraal Amsterdam	Amsterdam	City centre	Earth Check Bronze	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 2022



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

Operator Activities

Hotel	City	Location	Environmental certification/ environmental management system	Type of agree- ment	Operator/brand	Sq m	Num- ber of rooms	Brand	Demand
BELGIUM									
Crowne Plaza Antwerp	Antwerp	Ring road	Green Key, IHG Green Engage, SafeGuard, BREEAM In-use Very Good	FR	Pandox/Crowne Plaza	18,340	262	Crowne Plaza	D
DoubleTree by Hilton Brussels City	Brussels	City centre	Green Key, IHG Green Engage, SafeGuard	FR	Pandox/Hilton	28,095	354	Hilton	I
Hilton Grand Place Brussels	Brussels	City centre	Green Key, ISO 14001, ISO 50001, LightStay FR Green Tourism, BREEAM In-use Very Good	FR	Pandox/Hilton	22,186	224	Hilton	I
Holiday Inn Brussels Airport	Brussels	Airport	Green Key, IHG Green Engage, 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, BREEAM In-use Very Good	IP	Pandox/Independent	35,612	421	Independent	I
FINLAND									
Hotel Korpilampi, Espoo	Espoo	Resort	Green Key, BREEAM In-use Very Good	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, LightStay, SafeGuard	FR	Pandox/Hilton	44,148	595	Hilton	I
InterContinental Montreal ¹⁾	Montreal	City centre	Green Key, IHG Green Engage, Biosphere	M	IHG/InterContinental	25,524	357	InterContinental	I
NETHERLANDS									
Novotel Den Haag World Forum	The Hague	Congress centre		M	Grape/Novotel	10,500	216	Novotel	R
UNITED KINGDOM									
England									
Hilton Garden Inn London Heathrow Airport	London	Airport	Green Key, BREEAM In-use Very Good	FR	Pandox/Hilton	14,733	364	Hilton	I
DoubleTree by Hilton Bath	Bath	City centre		M	Axiom Hospitality/Hilton	7,266	176	Hilton	R
The Queens Hotel ²⁾	Leeds	City centre		M	Axiom Hospitality/Independent	16,966	232	Independent	D
Scotland									
Radisson Blu Hotel, Glasgow	Glasgow	City centre	Green Tourism Silver, BREEAM In-use Very Good	M	Radisson Hospitality/Radisson Blu	20,261	247	Radisson Blu	R
GERMANY									
Holiday Inn Lübeck	Lübeck	Ring road	IHG Green Engage, BREEAM In-use Very Good	FR	Pandox/Holiday Inn	7,022	159	Holiday Inn	D
Hotel Berlin, Berlin	Berlin	City centre	Green Key, BREEAM In-use Very Good	IP	Pandox/Independent	42,610	701	Independent	I
Novotel Hannover	Hannover	City centre	Green Key, Planet 21, SafeGuard	M	Grape/Novotel	13,048	205	Novotel	D
Radisson Blu Hotel, Bremen	Bremen	City centre	Green Key, BREEAM In-use Very Good	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

External management agreements

Hotel	City	Location	Environmental certification/ environmental management system	Type of agree- ment	Operator/brand	Sq m	Num- ber of rooms	Brand	Demand
BAHAMAS									
Pelican Bay, Grand Bahama Island ³⁾	Lucaya	Resort	Clean & Pristine	AM	Sundt AS/Independent	NM	186	Independent	

¹⁾ On 23 September 2022 Pandox entered into an agreement on the divestment of the InterContinental Montreal in Canada. The divestment was completed on 1 February 2023.
²⁾ The Queens Hotel in Leeds was acquired and taken over on 16 February 2023 and is not included in the portfolio values or other data for 2022.
³⁾ 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.

Strategy and operations +

Market and trends +

Properties -

Geographical overview

Property portfolio

Change in property value

● Hotel property list

Sustainability +

Governance +

Financial +

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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Sustainability

Pandox helps to drive sustainable development by creating resource-efficient properties and operating hotels in a way that reduces Pandox's climate footprint while also growing the business.

	2022	2021	2020
Total number of BREEAM certified properties	12	6	3
Percentage of renewable energy for whole portfolio, %	41	41	38
Employee satisfaction, %	77	78	81



Strategy and operations +

Market and trends +

Properties +

Sustainability -

● Pandox's sustainability agenda

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About sustainability

“The pieces fall into place”

If 2021 was the year when Pandox sought to find its role in the fast-moving transition, 2022 was the year when the pieces started falling into place. Our own ambitions, international agreements, laws and regulations have been the most important drivers.

For example, we submitted our climate goals to the Science Based Targets initiative (SBTi), obtained our first sustainability-linked bank loan, certified six additional properties to BREEAM In-Use with a rating of Very Good, reported according to the EU's green taxonomy and launched a strategic initiative within diversity and inclusion.

Teamwork and Science Based Targets

In 2022 sustainability became a team effort as stronger links were established between the various departments and our SBTi targets became our guiding star. The targets will hopefully be approved in June 2023 when SBTi will review our application and our level of ambition. An important focus for Pandox will be implementing strategic energy efficiency measures throughout the portfolio and reducing dependence on natural gas at hotels operated by Pandox. Studies are already under way at four hotels operated by Pandox to explore the possibility of replacing natural gas with pumps for both heating and cooling. Pandox will also be working on reducing material use and using more sustainable materials in renovations. This will involve a major focus on building more knowledge about the properties, how different materials and installations impact climate emissions and what impact climate change is having. These insights will be key factors in our strategic decisions and also in our value creation going forward.

New talent strengthens the organisation

An energy specialist has been added to strengthen our sustainability team in order to carry out energy mapping and provide recommendations. The aim is to advance our dialogue with

tenants on supplementing the existing leases with green agreements. It is important for both parties to view the properties based on the realities we face as new expectations and requirements emerge.

The taxonomy and Pandox's role

The taxonomy reveals the clear ambitions of the EU. Although we feel that the taxonomy focuses too much on new production, it does urge investors to pay closer attention to sustainability than in the past.

Pandox's strategy is to own properties and improve them. According to the EU, by renovating existing buildings it should be possible to reduce the EU's total energy consumption by 5–6 percent and to lower carbon emissions by the same amount. Yet on average fewer than one percent of the national building stock is renovated every year.

Pandox has an important role to play in the transition by improving the performance of existing properties. Our green investment programme is doing good by driving development towards energy-efficient properties. Additional and significant steps will also be taken based on the science-based targets in place.

However, the taxonomy's requirement that every property is to have an energy performance certificate with a rating of A or B is in most cases not commercially justifiable, for example for an existing property built in the 1970s. At that time buildings were constructed with inferior insulation and less was known about energy efficiency.

Green incentives

In 2022 we decided to incorporate a sustainability index into the general managers' productivity system for their daily operations. The purpose is to visualise and create a daily focus on sustainability topics and targets. The index is based on six categories: energy, water, food waste, waste, towels and linen, as well as chemicals grouped together depending on impact. From the beginning of 2023 the hotel managers' variable cash remuneration is directly linked to the index.



Climate risk assessment to future-proof the properties

Our long-term focus on sustainability includes analysis and climate adaptation of Pandox's properties where there is a high risk of a negative impact from a changed climate. During the year a desktop analysis of these risks

was carried out for all properties with the help of a new climate tool. This was followed by two site inspections as well as an in-depth analysis of one additional property. From now on, analysis and proposed measures will form a natural component in the annual investment process.

Diversity and inclusion in focus

Employee commitment is a key success factor for Pandox. In the wake of the pandemic and its consequences – with difficulties finding personnel and new expectations of employers from younger generations – it is more important than ever to be able to attract new people and encourage existing employees to stay on. To this end, representatives from the executive management team, headed by the CEO, and key individuals within the organisation attended a workshop on diversity and inclusion. This was a first step towards coming together around a common ambition and vision. This will be a constant process and will result in concrete goals being established in the coming year.

Plan to be launched in 2023

If we take a peek at 2023, we will see a year in which initiatives launched in 2022 are implemented. This effort will require a willingness throughout the organisation to embrace change. It will also be an exciting year with many new opportunities and new knowledge enabling us to offer resource-efficient properties.

Stockholm, March 2023

Caroline Tivéus

SVP, Director of Sustainable Business

Pandox's responsibility in the value chain

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- Market and trends +

- Properties +

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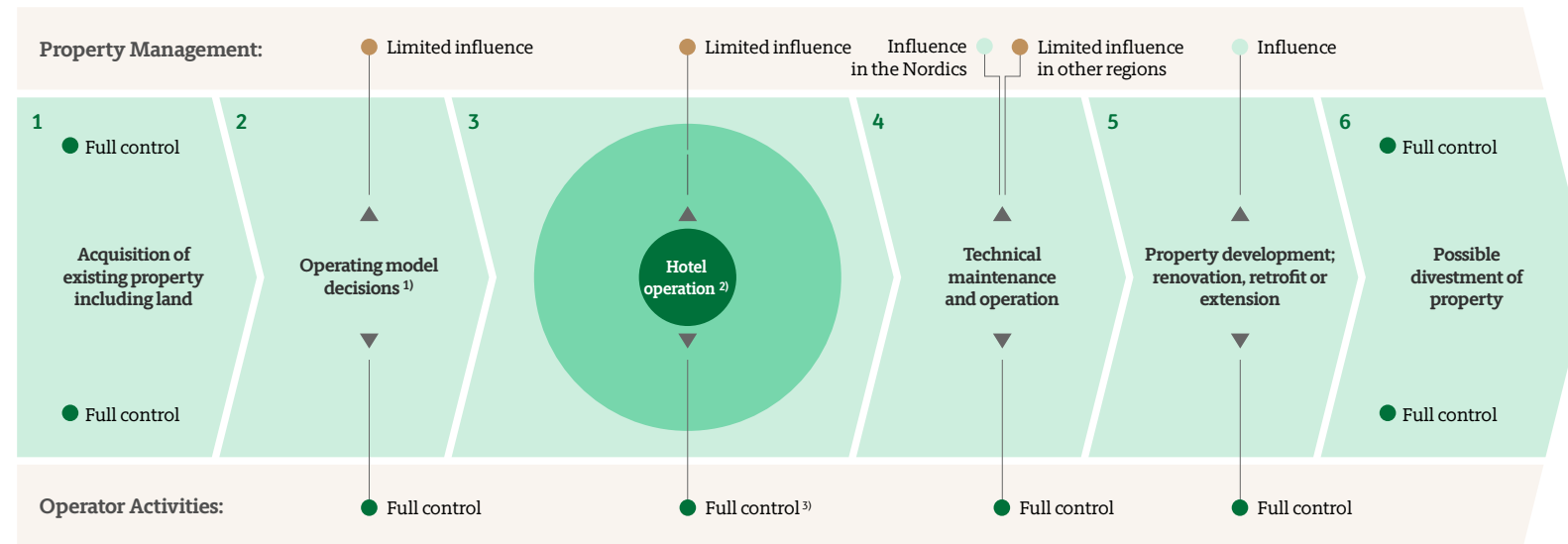
- Financial +

Pandox is a property company that owns 157 hotel properties in 15 markets in Europe and Canada. 137 of the hotel properties are leased out to external hotel operators in the Property Management business segment. Within the Operator Activities business segment Pandox operates hotels itself in 20 of the properties.

Pandox uses suppliers to maintain the properties, for renovations and construction work, and for procurement of materials and services. The Company also works with tenants to develop the properties.

Pandox is active in the part of the value chain from acquisition and property development, through leasing, technical maintenance and hotel operation, to retrofit, renovation and possible divestment of the properties. Pandox therefore has an influence throughout the hotel

industry value chain, but the Company's role and responsibilities with respect to sustainability differ between its business segments. Pandox has direct responsibility for sustainability topics in its section of the value chain for hotels it operates, but is also able to influence other parts of the value chain by setting standards for the suppliers and by working in cooperation with tenants. The extent of this influence is determined by the leases.



Pandox's control and influence in the value chain

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

● Full control ● Influence ● Limited 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 property owner with an independent brand. Read more on pages 19 and 21. If Pandox takes over a property where a lease 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 is a consideration, for example in property operation, HR, 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.

Division of responsibilities within Property Management

Within Property Management the responsibility for the property and sustainability-related matters is shared between the tenant and Pandox. The division of responsibility is stipulated in the lease with the hotel operator and may vary depending on what is standard practice in different countries.

The hotel operator is responsible for the hotel's day-to-day operation and for the interior of the hotel. Pandox is responsible for the building's exterior, technical maintenance and operation, development, more substantial renovations, and for retrofit 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.

The hotel operator is responsible for sourcing electricity, water, heating and cooling for the hotel. Pandox is therefore limited in its ability to influence the steps taken to reduce energy and water consumption at the hotel properties it leases out. Pandox's goal is to have an impact by creating common incentives for improvement within the framework of supplementary agreements containing green provisions and other joint initiatives.

Division of responsibility within Operator Activities

Within the Operator Activities segment, 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, guests etc. Properties are developed in close cooperation with Property Management.

Sustainability strategies and focus areas

- Strategy and operations +

- Market and trends +

- Properties +

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Pandox's most important contribution to greater sustainable development is creating resource-efficient properties, sustainable operation, safe and secure environments for employees and guests, and new business opportunities. Pandox is also to contribute to reaching the UN Sustainable Development Goals. The focus is on areas where Pandox can create the most impact, both for the external environment and for the Company.

Pandox's sustainability strategy is based on the Company'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 focus on. Current trends and the risks and opportunities identified by the Company are also taken into consideration. Based on these considerations, 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.

Sustainability is integrated into Pandox's business model and into day-to-day work. There are clear activities and targets for sustainability within each focus area. They take into consideration the different ways in which Pandox can work on sustainability within the Property Management business segment compared to within Operating Activities.

[Read more about Pandox's vision, business concept, strategies and business model on pages 11 and 15.](#)

[Read more about sustainability risks on pages 129–130 and 135.](#)

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



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Focus area: Environment and climate

Pandox's efforts with respect to the climate and the environment are aimed at achieving resource-efficient properties and operations that reduce the environmental and climate footprint. Another important area is taking steps to adapt the properties and operations for a changed climate.

Pandox operates in an industry that contributes to significant greenhouse gas (GHG) emissions, which have a negative impact on the environment. Buildings account for 36 percent of GHG emissions in Europe ¹⁾. Pandox's main environmental and climate impact comes from heating, cooling and electricity, and the use of building materials in activities such as renovation and retrofit. Water use, waste management and circularity are also material sustainability topics. In the updated materiality analysis carried out in 2021, two new materiality topics were identified: increased use of sustainable materials and climate adaptation of properties.

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.

In 2022 Pandox submitted its commitment letter and the climate targets to the Science Based Target initiative for review.

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

Targets	Who is affected	Outcome 2022	Outcome 2021	Contributes to targets in the UN SDGs
Preliminary climate goals for 2023–2030: –42% CO ₂ e emissions in Scope 1 and 2 no later than 2030 compared with base year 2021 –25% CO ₂ e emissions in Scope 3 no later than 2030 compared with base year 2021	Group	— Goals introduced in 2023	–	Target 13.3
Reduce resource consumption Implement Pandox's green investment programme no later than 2023 to reduce energy consumption, water consumption and GHG emissions compared with 2019	Operator Activities	Decrease • gas: –15% • electricity: –20% • water: –20% • CO ₂ e emissions: –19%	Decrease • gas: –25% • electricity: –22% • water: –15% • CO ₂ emissions: –24%	Targets 6.4, 7.3, 8.2, 8.4 and 11.6
Climate adaptation Climate inspections and adaptation measures in all properties with identified climate risks by 2030. Minimum of 2 climate inspections a year	Group	2 properties with completed climate inspection	–	Target 13.1
BREEAM certification for buildings at the Very Good level All 20 hotels in Operator Activities no later than 2030 ¹⁾	Operator Activities	12 of 20 hotels	5 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 hotel operation 100% of hotels operated by Pandox no later than three years after acquisition	Operator Activities	90% 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.
100% of external hotel operators' hotel operations ²⁾	Property Management	74% of 137 hotels	77% of 137 hotels	
Percentage of renewable energy To reach at least 80% within Operator Activities by 2025 ³⁾	Operator Activities	50%	48%	Target 7.2
Reduce waste Reduce food waste by an average of 30% per hotel in Operator Activities from the beginning of 2023 ¹⁾ Reduce the total volume of waste from hotel operations by an average of 1 kg per guest night by 2025 and to the EU target level of 0.6 kg per guest night by 2030 Recycle an average of 65% of total waste in hotel operation from the beginning of 2025 and reach the EU level of 85% no later than 2030	Operator Activities	23% 1.2 kg per guest night	Delays due to Covid-19 and supply chain disruptions – –	Targets 8.4, 12.3 and 12.5
Sign green supplementary agreements Green leases with all tenants in 2050	Property Management	Ongoing dialogue	Ongoing dialogue	Targets 6.4, 7.2, 7.3 and 8.4

¹⁾ Deloitte ESG Real Estate Insights 2021, article #2

¹⁾ Compared with 2020 ²⁾ Compared with 2018 ³⁾ Compared with 2019

Strategy and operations +

Market and trends +

Properties +

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Reduced climate impact

Pandox's GHG emissions in 2022

Pandox contributed to emissions totalling 99,703 (110,088) metric tons of CO₂e in 2022, which is lower than the previous year. The reduction in emissions is due to the fact that there were fewer large construction products in 2022, but also that energy-related emissions did not increase at the same rate as guest occupancy. Energy intensity per guest night has decreased, thanks to energy efficiency projects yielding results. The majority of Pandox's GHG emissions in 2022 occurred both upstream and downstream in the value chain. Pandox's own operations accounted for just 9 percent of the total emissions.

Pandox's largest sources of direct GHG emissions in its own operations are from combustion of fossil fuels such as natural gas and any leakage of refrigerants, which give rise to Scope 1 emissions. Pandox also purchases electricity, district heating and cooling for the hotels it operates and for the head office. This gives rise to Scope 2 emissions. Pandox's total market-based GHG emissions in Scope 1 and 2 amounted to 8,708 (8,478) metric tons of CO₂e.

The Company's largest Scope 3 emissions upstream in the value chain come from purchased building materials, products and services, mainly in connection with extension and retrofit as well as renovation of the properties.

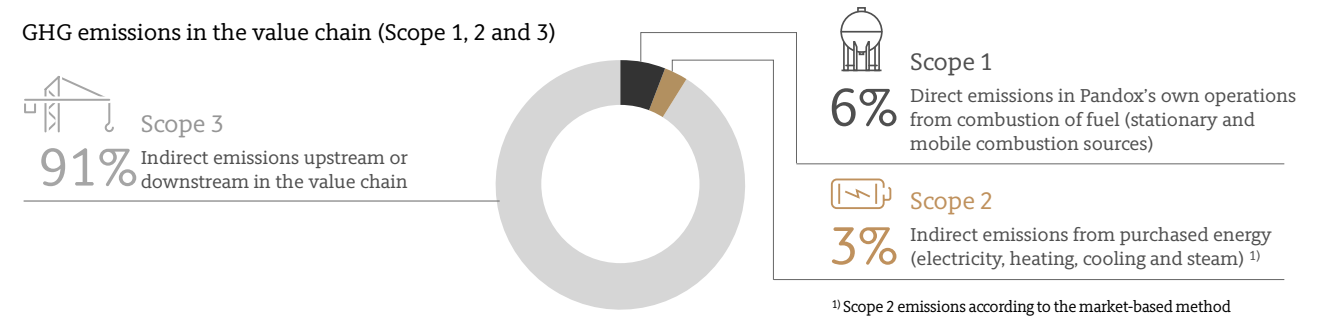
Downstream in the value chain means emissions from tenants' hotel operation, mainly from energy consumption, which is the single largest emissions category. Waste does not make up a significant percentage of Pandox's total emissions as a property owner. Even so, the Company is working to facilitate a reduction in emissions from waste at the hotels it operates, as this makes up a significant percentage of their emissions. Business travel accounts for only a negligible portion of Pandox's Scope 3 emissions. Pandox's total market-based GHG emissions in Scope 3 amounted to 90,995 (101,610) metric tons of CO₂e.

In 2022 Pandox carbon-offset its Scope 1 emissions, amounting to 5,825 (5,636) metric tons of CO₂e, through a solar energy project in Vietnam. The project has Gold Standard certification. Carbon offset will not be counted in the activities that Pandox implements to achieve its climate targets.

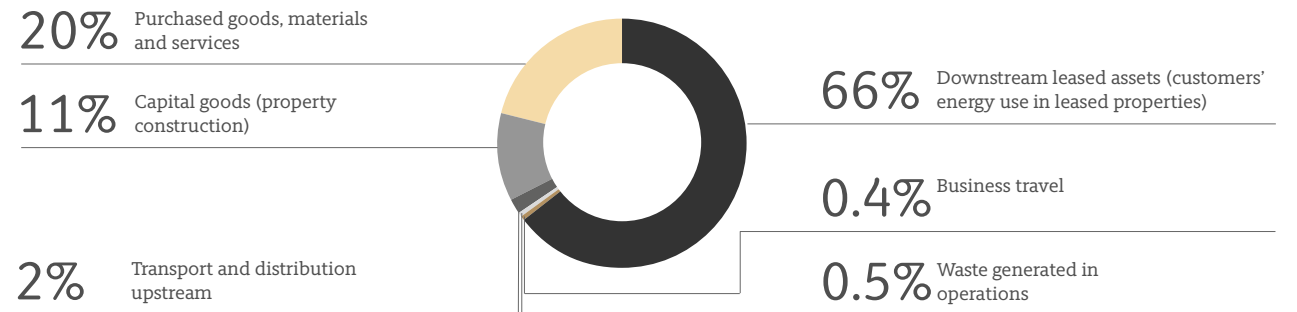
[Read more about energy use on page 63.](#)

[Read more about the green investment programme in Pandox's operations on page 64.](#)

GHG emissions in the value chain (Scope 1, 2 and 3)



Emission categories upstream and downstream in the value chain (Scope 3)



Climate target according to Science Based Targets

In 2022 Pandox submitted its commitment to producing climate targets to the Science Based Targets initiative. The Company also set climate targets in cooperation with the Swedish Environmental Research Institute (IVL). These will be in place until 2030. The climate targets were submitted to SBTi at the end of the year for review. The review and hopefully also approval of the targets are scheduled for June 2023. During the review SBTi will verify that the targets are science-based and in line with the Paris Agreement.

This process has helped Pandox to improve its knowledge of the GHG emissions that occur in the value chain and that the Company is directly or indirectly responsible for. It has also further improved the database. Pandox's science-based targets constitute a robust framework for work on topics relating to energy and materials at the Group level. The emissions calculations are based on measured data, standard data where no data has been reported, life cycle analysis and spend analysis.

[Read more about GHG emissions in Sustainability Note 7.](#)

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Road map for reduced climate emissions

Pandox has already started developing its road map of actions to reduce climate emissions to reach the climate targets.

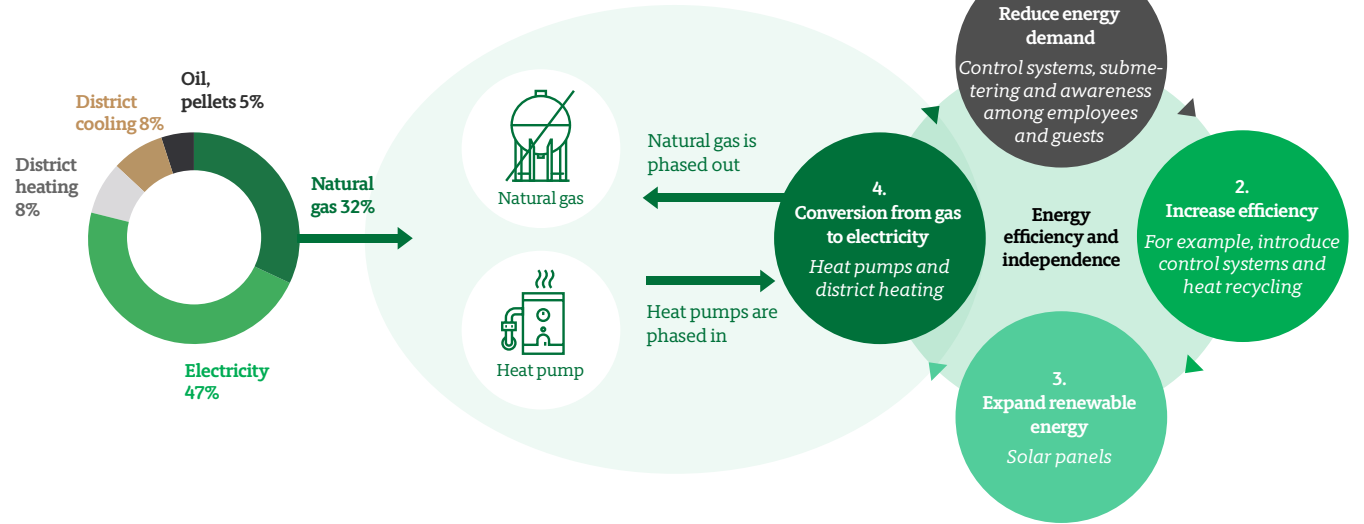
For the 20 properties operated within Operator Activities these steps will focus on reducing Scope 1 and 2 emissions where Pandox has a direct impact. Pandox will reduce the use of natural gas, which accounts for 32 percent of total energy use, and replace it with heat pump solutions. In 2022 a study was carried out on four hotels in Germany, England and Belgium to explore the possibility of converting away from gas dependence. An additional 10 studies will be carried out in 2023. Phasing out natural gas will be combined with energy efficiency improvements. This will include improved control systems and expanding opportunities to use renewable energy.

Meeting targets through behavioural change at hotels operated by Pandox

In addition to the measures above, it is important to promote commitment, knowledge and behavioural change to reach the climate targets at Pandox-operated hotels. As of 2023 the General Managers at the hotels will be responsible for reaching their climate targets. The targets will be broken down by property into the subcategories of water and energy. These will be incorporated into the General Managers' productivity system in which they monitor revenue and staffing daily. The purpose of integrating the new sustainability module into the operating system is to ensure there is also a daily focus on reaching the sustainability targets, and to create awareness of how each property is contributing to these. Supplementary targets in the subcategories of waste, linen/towels and chemicals, which are also relevant in the Operator Activities business segment, will also be introduced, even if these are not part of the climate targets. The targets will be compiled into a sustainability index based on level of materiality and will form the basis for green incentives for the general managers. The general managers will need to involve their employees in order to reach the targets. There will be a department head responsible for each subcategory. This person will have overall responsibility for driving progress and involving most of the employees across departments to reach the targets. They will receive training and support from the system. The targets for each subcategory will be broken down into the activities that make the most difference. The managers will be given a clear mandate and time to priori-

Activities to reduce emissions within Operator Activities (Scope 1+2)

The main focus is on reducing gas consumption and increasing energy efficiency.



Activities to reduce emissions within Property Management (Scope 3)

Reduce emissions from use of materials in renovations and extensions, and reduce energy use by guests.

tise the activities, as well as financial incentives to meet the targets. Communication of targets and the green transformation will also be aimed at the hotel guests.

Training in materials sourcing and cooperation with tenants

In the 137 properties leased to external tenants in Property Management the measures are mainly intended to contribute to reducing Scope 3 emissions in the categories that account for more than 67 percent of emissions. These categories are materials sourcing in connection with renovation and retrofit, and tenants' energy consumption. In 2023 the Swedish Environmental Research Institute (IVL) will work with Pandox to increase knowledge on the effect of materials sourcing on emissions and which alternatives exist in the market. Training in circularity will also be carried out internally, focusing on recycled building materials and using materials made from renewable or recycled inputs. The aim is to implement tools to assist in the sourcing process.

Pandox also needs to focus on energy efficiency improvements in the properties it leases out. In 2022 the Company started taking stock of and evaluating the properties in Property Management from an energy perspective. Evaluations are carried out first for the buildings in the lowest energy category. The evaluation covers, for example, the building envelope, installations and operating routines on site, and aims to find potential energy-saving measures that would benefit both the tenant and Pandox. Other factors that are of interest in an overall analysis include future regulatory requirements, geographical location, heating systems and contract length. Energy simulations of the buildings are then carried out so that different alternative can be tested in order to produce a proposed package of measures for achieving different energy classes. Energy efficiency improvement measures will be part of the annual investment process from the beginning of 2023 and will form a basis for dialogue regarding green leases with tenants within Property Management.

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Climate adaptation of the buildings

Climate change impacts Pandox as a company as well as its properties – and will continue to do so in the future. Today's society is highly vulnerable to climate change because it is adapted to a climate of the past. Climate change will lead to higher temperatures and changed precipitation patterns, as

well as more frequent and intensive extreme weather events such as torrential rain, heatwaves and drought. It is therefore important right now to analyse how Pandox will be impacted and to plan ways to manage potential effects.

Climate risk assessment of buildings in connection with acquisitions

In 2022 Pandox purchased a climate risk tool that analyses and makes a financial evaluation of the Company's exposure to physical climate risk and natural disaster risk. It identifies which climate adaptation measures need to be carried out at the property level. The tool assesses the properties' risks based on various climate scenarios – RCP 2.6 (1.5 °C temperature rise), RCP 4.5 (2–3 °C temperature rise) och RCP 8.5 (4 °C temperature rise) – and in different timeframes (now, 2030, 2050 and 2100). All of the properties were analysed during the year.

Based on this desktop analysis, a number of properties were identified as being located in areas where there is already a very high or high risk of being impacted, mainly by flooding or heavy precipitation. On-site risk inspections were carried out at two of these properties by a third party during the year. An in-depth analysis was carried out at one additional property. At this property the benefits of an on-site inspection were considered minimal as the analysis already clearly showed that the main risk was outside Pandox's control as it was due to land conditions.

The on-site inspections confirmed that the climate risks were relevant and assessed which potential vulnerabilities

exist. This resulted in an action plan for each property that includes proposed measures to adapt the building infrastructure where the basement level could potentially be flooded.

All the remaining properties with high risk will be inspected on site and the necessary measures will be implemented no later than 2030. Climate adaptation measures are to be a natural aspect of Pandox's investment process going forward.

In 2022 Pandox also started using the climate risk assessment tool for properties before acquiring them. The tool was used, for example, in the acquisition of Aparthotel Adagio Edinburgh Royal Mile and DoubleTree by Hilton Bath in the UK.

[Read more about climate risk assessment in Sustainability Note 7.](#)

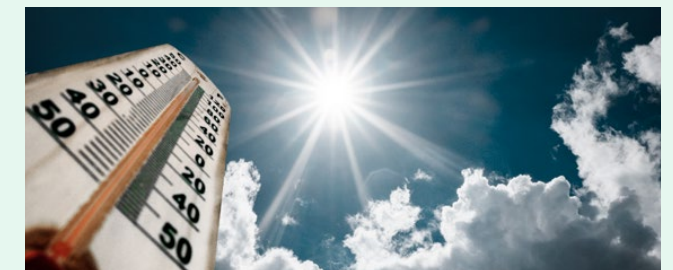
100%

of the properties have been assessed for climate risk

Climate adaptation measures

In hotels operated by Pandox climate change is taken into account when installing new equipment, such as ventilation systems, in order to handle a warmer climate in the summer. Today it is not unusual for equipment to be required to handle maximum temperatures of around 40 degrees Celsius, and this may require adaptation of cooling units.

[Read more about climate adaptation in Sustainability Note 7.](#)



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Energy consumption

At a hotel, activities take place more or less around the clock. Pandox's properties and operations therefore require a continuous supply of energy. Energy is needed for heating, ventilation and cooling, for example, as well as for lighting and kitchen equipment. The total weather-normalised energy consumption of Pandox's property portfolio (where measured data is available) increased by 12 percent in 2022 compared with the previous year, from 304 MWh to 342 MWh, due to higher occupancy rates. Energy intensity per guest night has decreased by 32 percent, however, which is an important indicator of how energy efficiently the hotel is operated. This shows that energy efficiency measures in Pandox's green investment programmes, such as the installation of building management systems, energy recovery ventilation and training in how these are used, are yielding results.

- [Read more about energy consumption in Sustainability note 6.](#)
- [Read more about Pandox's green investment programmes in the hotels it operates on page 64.](#)

Renewable energy is increasingly important

Pandox's goal is to increase the use of renewable energy sources, particularly at hotels that Pandox operates and where it has a direct influence. In leases with external hotel operators the tenant is responsible for signing electricity contracts; the same is true of Pandox-operated hotels with management contracts. In consultation with the hotel operators Pandox can influence the type of lease chosen to some extent and aims to sign green leases that include renewable energy in their terms.

In 2022 the share of renewable energy was 41 (41) percent of total energy consumption. The energy sources were wind and hydropower as well as electricity from the buildings' own solar panels. Renewable energy made up 39 (39) percent of energy used in Property Management and 50 (48) percent in Operator Activities.

- [Read more about green supplementary agreements on page 68.](#)

Pandox's self-generated electricity

1,575 MWh (584)

in 2022

Solar panels and other self-generated electricity

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

In 2022 five of Pandox's properties had their own solar panels. No new solar panels were installed during the year but there are plans to install them in 2023 at Novotel Den Haag World Forum and Novotel Hannover. Studies have also been carried out to explore the possibility of installing additional solar panels at Hilton Garden Inn London Heathrow och Holiday Inn Brussels Airport. Two hotels that do not have solar panels were acquired during the year. In total, Pandox generated around 1,575 (584) MWh of electricity itself in 2022. Of this amount, 304 MWh came from solar panels and 1,271 MWh from local cogeneration (CHP). CHP was installed during the last quarter of 2021 and the full effect of this was evident in 2022.

Energy efficiency projects in Property Management

In 2022 Pandox carried out a number of projects that are helping to reduce energy and water consumption. Below are a few examples of projects in 2022.

- A pilot project was launched at Hilton Stockholm Slussen in Sweden in which the hotel was equipped with an AI control

system. The purpose of this technology is to achieve a more stable indoor temperature throughout the building and to save between 5 and 15 percent in heating energy and up to 25 percent in electricity for ventilation through automatic optimisation. This technology is of interest to Pandox as it leases out its properties exclusive of heating, i.e. energy is purchased by the tenant and it is the tenant that controls its optimisation.

- Scandic Star Sollentuna in Sweden installed a fully updated substation complete with a modern control system that will help ensure more efficient operation. This could reduce energy use by an estimated 10–15 percent through less use of district heating and building electricity.
- At Radisson Blu Arlandia in Sweden a new main control unit was installed. In addition to simplifying and improving operational efficiency, the new system is expected to reduce energy use by 5–10 percent.
- At Scandic Alexandra Molde in Norway new windows were installed that provide a more airtight building envelope and better insulation. This is expected to save 8,200 kWh a year in heating.
- At Vildmarkshotellet in Kolmården, Sweden a submeter was installed for water and electricity. This will facilitate monitoring as well as operation. By making data more readily available, troubleshooting in the building will be simpler and faults will be easier to locate.



A property inspection in progress

Green investment programme for Pandox-operated hotels

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Pandox has a green investment programme for the years 2020–2023. The goal is to reduce natural 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 investment amounted to MSEK 80 with an average expected return of around 20 percent.

The green investment programme is focusing on measures to reduce energy and water consumption, and on technical installations such as building management systems with

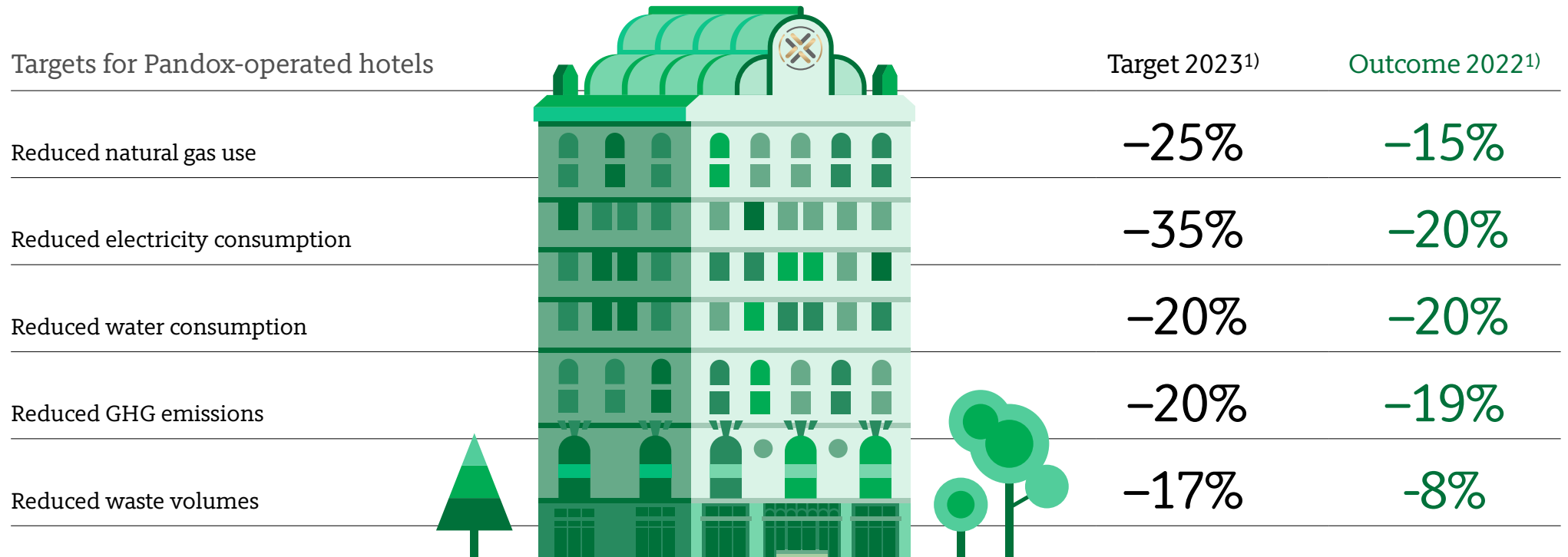
integrated submeters. All the hotels have these building management systems for more climate-smart management of the buildings. In 2022 the focus was on fine-tuning and controlling the systems that were installed in 2021. This also included training for the individuals who will manage the new systems so that they can monitor consumption on a daily basis and adapt the system to actual needs. The full effect and target fulfilment is expected in 2023. These measures are also helping to improve guest comfort through better control over heating, ventilation and cooling. Targets for waste were also developed in 2021 and these took effect in 2022.

Expanded investment programme

A follow-up green investment programme 2.0 was rolled out in 2022 for an additional four hotels operated by Pandox. Similar to the first programme, the focus is on installations such as insulation of pipes and ceilings, control systems and water leakage systems. It is hoped that the effects will be shown from 2023 onwards.

The two programmes will be combined and adjusted from the beginning of 2023 to focus on the Science Based Targets and include all of the 20 hotels operated by Pandox. The new base year is 2021 and the programme will continue until 2030.

Targets for Pandox-operated hotels



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Water consumption

Pandox uses the municipal water system in all hotels. Water consumption in the hotels is affected by the amount of showering, dishwashing, cleaning, laundering and flushing that takes place, which in turn is impacted by hotel occupancy. Reducing water use is therefore a significant sustainability topic as Pandox's operations have a direct impact on usage.

Pandox is aiming to reduce water consumption by installing water-saving equipment, for example in bathrooms and kitchens, 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. This is being done by, for example, involving them in making choices that reduce water use such as taking shorter showers and not requiring towels and sheets to be replaced daily.

In 2022 Pandox continued implementing a metering system for water consumption at hotels in Operator Activities. Thanks to the submeters that have been installed, alarms have detected water leaks. This has enabled steps to be taken immediately. Water leaks were discovered at 16 of the hotels

during the year. Water leaks have occurred in, for example, pipes, toilets and washbasins. The system has also detected showers and taps that guests have left on. Estimated savings thanks to the water leakage system are in the range of 2,500–7,500 cubic metres for 2022. The measures have resulted in a reduction in water use per guest night from 304 l/guest night to 215 l/guest night at Pandox-operated hotels. This was achieved at the same time as the number of guest nights increased by 125 percent in 2022 compared with 2021.

In Property Management too Pandox is installing more submeters in the buildings so that the operators can more quickly identify and remedy any leaks.

The water used in the hotels goes to municipal wastewater and treatment plants. Some hotels also have a collection tank for grey water in the hotel. There is potential here for heat recycling before it continues on to the wastewater system. Chemicals used in laundries and hotel cleaning have the largest impact on the quality of the grey water. Pandox is aiming to phase out harmful chemicals in these processes and switch to more eco-friendly alternatives that have a positive effect on the water quality.

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



Water shortage in major cities

A shortage of water is an accelerating problem in many parts of the world, even in Europe. These areas are classified as water-stressed, where the amount of fresh water is no longer sufficient to meet the needs of society. Pandox uses water in water-stressed areas, including the big cities of London and Brussels. Efforts to use water more efficiently are therefore very important.

[Read more about water-stressed areas in Sustainability Note 8.](#)



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Waste and recycling

Pandox's ambition is to encourage a more circular mentality around the use of materials and reducing waste volumes. Recycling and reusing materials is becoming increasingly important – both to reduce climate emissions and to use natural resources more efficiently.

Waste generation and its impact

Waste is generated in various areas within Pandox – in the day-to-day operation of hotels, in ongoing property management and in construction projects.

At the hotels operated by Pandox most of the waste generated is in the form of packaging from purchased goods. Hotel kitchens also generate food waste.

In connection with renovations and retrofit, waste is generated both in the form of packaging from building materials and when existing structures are demolished. This applies to all types of construction and maintenance projects – whether renovating bathrooms, building extensions or replacing technical installations.

Waste is also generated upstream in the value chain – when the goods and materials that Pandox purchases are produced – and downstream in the value chain, i.e. by our tenants and hotel guests.

Pandox engages waste and recycling companies that collect and take care of the sorted waste.

Measures to reduce waste and increase recycling

Pandox wants to improve waste management to create a circular approach. In 2022 two new targets were adopted for Pandox-operated hotels in the Operator Activities segment to reduce the volume of waste to 1.0 kg per guest night by 2025 and to the EU level of 0.6 kg no later than 2030. The average for a normal year at hotels operated by Pandox is 1.5 kg per guest night. In 2022 it averaged 1.2 kg per guest night. The second target is for recycling and for hotels to recycle 65 percent no later than 2025 and to reach the EU level of 85 percent by 2030. In 2022 this level was 53 percent.

During the year individual action plans were produced for 13 of the 16 hotels that are part of the green investment

¹⁾ According to analysis performed by Winnow.

programme. The action plans are based on the waste analysis performed in 2021. The challenge is to understand the entire waste stream. Although the guests are given the opportunity to sort waste in their hotel room, this is not effective unless the cleaning staff have the same possibility to sort waste in their cleaning carts. The measures produced therefore involve the majority of the departments that are responsible for food and beverages, cleaning, offices and technology. This ensures that waste is minimised throughout the guest's stay.

Examples of measures introduced are that the hotels have started using bulk dispensers for jam, butter and honey instead of individually packaged items, they have installed yogurt machines instead of individual plastic cartons and are requiring clean linen suppliers to deliver linens wrapped in fabric instead of plastic wrap to reduce plastic use. The next step will be to improve visibility and monitoring of target fulfilment for general managers and their employees in their daily work. This will be introduced in 2023.

[➤ Read more about waste in Sustainability Note 9.](#)

[➤ Read more about meeting targets through behavioural change at hotels operated by Pandox on page 61.](#)

Reduced waste at Pandox-operated hotels

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

Pandox has enlisted the help of a foodtech company that has a system to categorise and register all food that is thrown away. The system makes it possible for hotels to identify which types of food are going to waste and whether waste occurs before or after consumption, i.e. in food preparation in the kitchen or as waste from plates. It is also possible to identify where waste occurs in the hotel, such as at banquets and conferences or from breakfast buffets. The system has AI technology that learns to identify the food thrown away. This will eliminate the need for manual categorisation in the future, with the process taking place automatically within a year. The aim of the project is to increase awareness of overproduction and to improve purchase planning.



During the first quarter of 2022 Pandox rolled out its food waste programme at 15 of the 20 hotels it operates with the aim of reducing food waste by an average of 30 percent per hotel from the beginning of 2023. Five hotels are not participating in the program since they don't have a sufficient food offering for the project to be relevant or were not in operation during the year.

Connectivity issues and technical problems at three of the hotels have also caused delays in using the programme. At 12 of the 15 hotels that have implemented the system, the average food categorisation accuracy was 92 percent and food waste decreased by an average of 23 percent.

The hotel has gained invaluable insights into what their main food waste is, which has enabled them to design waste reduction strategies based on the result. Examples of measures are reducing plate size and using Too Good To Go, an app for surplus food that enables hotels to sell unused food at a discount. Hotel Indigo in Brussels has also produced instructions for how chefs are to handle leftover products and the food waste that occurs in the preparation of each dish on the menu. The purchasing process has also been improved, resulting in a reduction in the amount of food purchased that is often thrown away.

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Increased use of sustainable materials

Pandox is keen to be able to continue offering attractive properties and spaces to tenants and hotel guests, while at the same time wanting to reduce climate emissions from the materials used and to create more environmentally sustainable hotels.

In retrofit, extensions and renovation of the properties it is therefore important to minimise the volume of materials used and to use recycled materials to a greater extent, as well as materials made from renewable or recycled inputs. This is particularly important if Pandox is to be able to achieve its climate targets and reduce its Scope 3 emissions. Efforts in the area of sustainable materials have begun and will be further developed in the years ahead in partnership with the Swedish Environmental Research Institute (IVL). It is also important to increase the use of organic products in Pandox-operated hotels, and to reduce the use of chemicals and emissions of refrigerants.

[Read more about Pandox's roadmap for reduced climate emissions on page 61.](#)

Material use in construction projects and renovations

In 2022 Pandox started a process of identifying how much renewable and non-renewable materials are used in construction projects in connection with retrofit, extension and renovation of the properties. The first step was an analysis of the wood products, steel and semi-manufactured goods and parts purchased and used. Pandox measured consumption of these materials based on the four lifecycle analyses conducted in 2021. The outcome was then scaled up to apply to all construction projects and renovations carried out during the year.

Materials used for building maintenance and in operations as well as office materials and consumables are not currently being monitored as the volume of materials is relatively small. Nor is Pandox monitoring the total material use at hotels operated by Pandox.

Materials used in retrofit, extension and renovation of properties (metric tons)	
Total volume of material used, metric tons ¹⁾	18,932
Share of non-renewable materials, % ²⁾	99%
Share of renewable materials, % ³⁾	1%

¹⁾ The calculation of total weight in 2022 includes inputs such as wood and steel as well as other construction materials.
²⁾ Steel and other construction materials.
³⁾ Wood products.

Organic products in hotel operations

Pandox has started monitoring how much organic food is purchased by the hotels it operates. These include coffee, eggs and certified fish. The percentage of locally sourced products is also being monitored.

To increase the quantity of organic products, Pandox is including guidelines for this in its new Purchasing Policy that will be completed in the first half of 2023.

[Read more about Pandox's local sourcing strategy on page 72.](#)

Chemicals and refrigerants

The main use of chemicals at hotels is in cleaning and disinfection processes. Refrigerants are used in refrigerators, freezers, air conditioning units and heat pumps.

During the year Pandox continued to focus on reducing the amount of chemicals used in hotel cleaning at Pandox-operated hotels to reduce negative health effects such as employee allergies, to reduce negative environmental impacts from toxic chemicals and to reduce plastic consumption.

Half of the hotels operated by Pandox use Enozo, a brand new chemical-free cleaning system. The reusable spray bottle contains an electrolytic cell that converts tap water into aqueous ozone for use in cleaning and disinfecting.

Radisson Blu Hotel in Bremen uses Enozo to clean all its hotel rooms, lobbies and public guest spaces. It is estimated that this non-chemical cleaning system avoids the use of 3,300 litres of chemicals and as many plastic bottles every year.

Some hotels have cleaning teams that have been unwilling to change old cleaning routines and do not consider chemical-free cleaning to be suitable in areas where limescale can build up, such as bathrooms, or when deep-cleaning is required. To bring about behavioural changes Pandox will organise training programmes in 2023 and will also set up a forum to share good practices between hotel cleaning teams. Pandox's new Purchasing Policy will contain minimum standards for purchases of cleaning products. The aim is to increase the percentage of certified eco-labelled products and phase out chemical cleaning products entirely no later than 2030.

Pandox's ambition is to switch from synthetic refrigerants to natural ones, such as carbon dioxide or propane, wherever possible at the hotels the Company operates. This will reduce environmental and GHG impacts, both from leakage when in use and when old refrigerators, freezers, air conditioning units and heat pumps are discarded. Synthetic refrigerants produce more aggressive greenhouse gases than natural ones.

[Read more about how Pandox is meeting its targets through behavioural change at the hotels it operates on page 61.](#)



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Property inspections

To ensure that the properties are safe, meet regulatory requirements and that the value and quality of the products is maintained, various types of inspections are carried out annually. In Property Management, internal products and contract inspections are carried out to ensure the properties are in good condition and to check that tenants are delivering on their operational commitments. The outcome of the inspections provides a basis for contract negotiations but also leads to direct action being taken if necessary. In 2022, 70 (76) such inspections were carried out. Structural surveys are carried out on a continual basis to ensure the properties' functionality and safety. This information is particularly important when planning retrofit and extension work.

Structural surveys are performed in connection with acquisitions and focus on regulatory requirements, functionality and environmental risks. Examples of environmental risks include polluted land.

Pandox's insurance brokers perform annual risk assessments of 10 percent of the properties. The focus is on fire risk and property damage, but these inspections also include risks relating to climate change such as heatwaves, floods, earthquakes and heavy precipitation.

[➤](#) For information on climate adaptation of properties, see page 62.



Green supplementary agreements

It is important to work in partnership with tenants if Pandox is to be able to create more resource-efficient and sustainable properties. It is not just the technical installations and building envelope that affect energy efficiency at a hotel, but also how the property is operated. A well-insulated building with efficient installations and modern control systems needs to be operated in a smart and efficient way to deliver high energy performance.

The aim is to create a common vision and common incentives for Pandox and the tenant to together reduce environmental and climate impacts in both the property and the operation of the hotel. One way of doing this is by signing green supplementary agreements. Pandox has a long-term goal of entering into these agreements with all tenants, but this requires long-term advocacy efforts to achieve a common vision for this with the tenants.

In 2022 the dialogue continued with two of Pandox's larger tenants. Energy surveys were carried out at two hotels, for example, with the objective of prioritising energy efficiency solutions and agreeing on how the anticipated cost savings would be shared and performance in relation to targets monitored. Based on these pilot projects Pandox is convinced that more tenants will see the benefits of working together and of the green supplementary agreements. The energy price situation – with rising and unpredictable prices for electricity, gas and district heating – is also expected to speed up the process of adding green supplementary agreements.

[➤](#) For data on energy, GHG emissions, water and waste, see Sustainability Notes 6–9.

Heating systems in substations are included in product inspections

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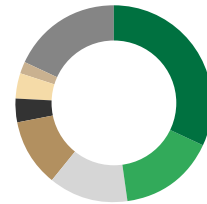
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Environmental certification

Pandox is working with an independent party to achieve recognised environmental certification for the properties and for how they are operated. Certification is a good tool for improving environmental performance by implementing measures in buildings as well as in management processes and operations. It also helps to increase internal knowledge of and commitment to environmental work.

Environmental certification



- Nordic Swan, 32%
- Green Key, 18%
- Green Tourism, 16%
- ISO 14001, 11%
- Light Stay, 4%
- IHS Green Engage, 4%
- ISO 50001, 2%
- Other, 13%

The diagram shows the breakdown of Pandox's environmental certifications and environmental management systems. Some hotels have multiple certifications. For more information see Sustainability Note 10.



Certification of properties

Pandox certifies its properties to BREEAM, which is an established standard in Europe for green properties. The certification process involves assessment and a scoring system in the following areas: Energy, Transport, Water, Materials, Pollution, Health and Wellbeing, Land Use & Ecology, Management. The objective is for all 20 properties operated by Pandox to be certified no later than 2030. Pandox's aim is to achieve BREEAM In-Use at the Very Good level. At the end of 2022, 12 Pandox-operated properties were certified. The properties are located in Germany, Belgium, Finland and the UK.

Certification of Pandox properties in Property Management that are leased to

other hotel operators is also an important area of focus. One property is in the process of being certified to BREEAM. In order for more properties to be certified, however, Pandox and the tenants need to work together and have a shared vision. To obtain certification it is necessary to upgrade systems and technical installations etc., but a significant commitment is also needed from the tenant's employees. Various routines must also be integrated into the hotel operator's day-to-day schedules and maintenance plans. At this time, this is outside existing lease structures and it is therefore important for the tenants to see BREEAM certification as a business opportunity for them as well.

[Read more about Pandox's green investment programmes on page 64.](#)

[Read more about Pandox's green supplementary agreements on page 68.](#)

Certification of hotel operations

Green Key certification is one of the leading standards for environmental responsibility and sustainable operations in the tourism industry, including for hotels. Certification ensures that environmental measures are implemented and lead 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. The hotels are also to focus on social responsibility as well as communication and cooperation with guests and other stakeholders. Other relevant third party-verified certifications are Nordic Swan, Green Tourism and the ISO 14001 environmental management system.

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. 90 (100) percent of the 20 hotels within Pandox's Operator Activities segment had environmental certification as of the end of 2022. The lower percentage is due to the fact that one hotel needed to renew its Green Key certification.

Of the 137 hotels within Property Management, which are operated by tenants, 74 (63) percent had some form of environmental certification of hotel operations. 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 10.](#)

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Focus area: Responsible and fair business

Pandox's ambition is to be a leading hotel property company. It is therefore important to act responsibly and professionally in all business relationships. Pandox is to be a long-term and reliable partner that mitigates the risk of corruption and human rights violations that exist in the both the property and the hotel industries.

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

Targets	Who is affected	Outcome 2022	Outcome 2021	Contributes to UN SDGs
Ensure that 100% of the Company's employees have completed Pandox's Code of Conduct course	Group	87%	95%	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	Group	0 cases	0 cases	Target 8.7
There are to be no cases of corruption, either within Pandox's own operations or in the supply chain	Group	0 cases	0 cases	Target 16.5

Business ethics and anti-corruption

To ensure that Pandox acts according to proper business ethics and complies with laws and practices, the Company has an Anti-Corruption Policy and a Code of Conduct for the employees. These clearly describe the expectations of how each employee is to behave to create a respectful and positive work environment for everyone. If employees of Pandox have questions regarding how to interpret or apply in practice Pandox's policies or codes of conduct, they can contact Pandox's SVP, Director of Sustainable Business.

Training in the Code of Conduct and business ethics

To ensure that all employees have read the Code of Conduct and understood its content, Pandox offers digital training in the Code of Conduct that includes various dilemmas they may face. The course is adapted according to whether the employee works at a Pandox-operated hotel or at the head office and in Property Management. It is available in eight languages. The course is to be completed as part of the onboarding process for new employees and is to be repeated every other year by all employees and any outside consultants on long contracts. In 2022 the training was updated to add more dilemma scenarios as well as a concluding test and an option to provide feedback on improvement measures. In addition, an option was offered to do the course in group

format as many employees prefer that. There is also a facilitator guide for those leading the course on site.

Employees within Pandox's Operator Activities segment also complete their own 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's target is for all employees to have completed its digital training in the Code of Conduct. In 2022, 87 (95) percent of employees had completed the training. The lower rate of completion is explained by the fact that the training was not launched until the final quarter.

No cases of corruption during the year

Pandox works continuously on its internal processes and routines to minimise the risk of corruption. The Anti-Corruption Policy describes how everyone within Pandox is to address this issue in their work. If there is the slightest indication or suspicion of corruption, employees are to consult with their manager or manager's manager. The goal is to have zero cases of corruption within Pandox or in the supply chain. No cases of corruption were reported in 2022.

The Code of Conduct course includes an clear explanation of the escalation process for complaints and incidents of a more serious nature. The first step is for employees to go to their manager, then to their manager's manager and thereafter to HR. Pandox also has a whistleblower system provided by an external party to promote an open culture in which employees and external stakeholders are unafraid to report irregularities, breaches of policies, crimes etc. No cases were reported in 2022 through this system.

The whistleblower system also provides an opportunity to report on HR issues anonymously. These are then handled by the respective hotel's head of HR. Three cases were reported during the year.

[Read more about anti-corruption in Sustainability Note 12.](#)

[Read more about verification of new and existing suppliers on pages 72-73.](#)

[Read more about human rights on page 71.](#)

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

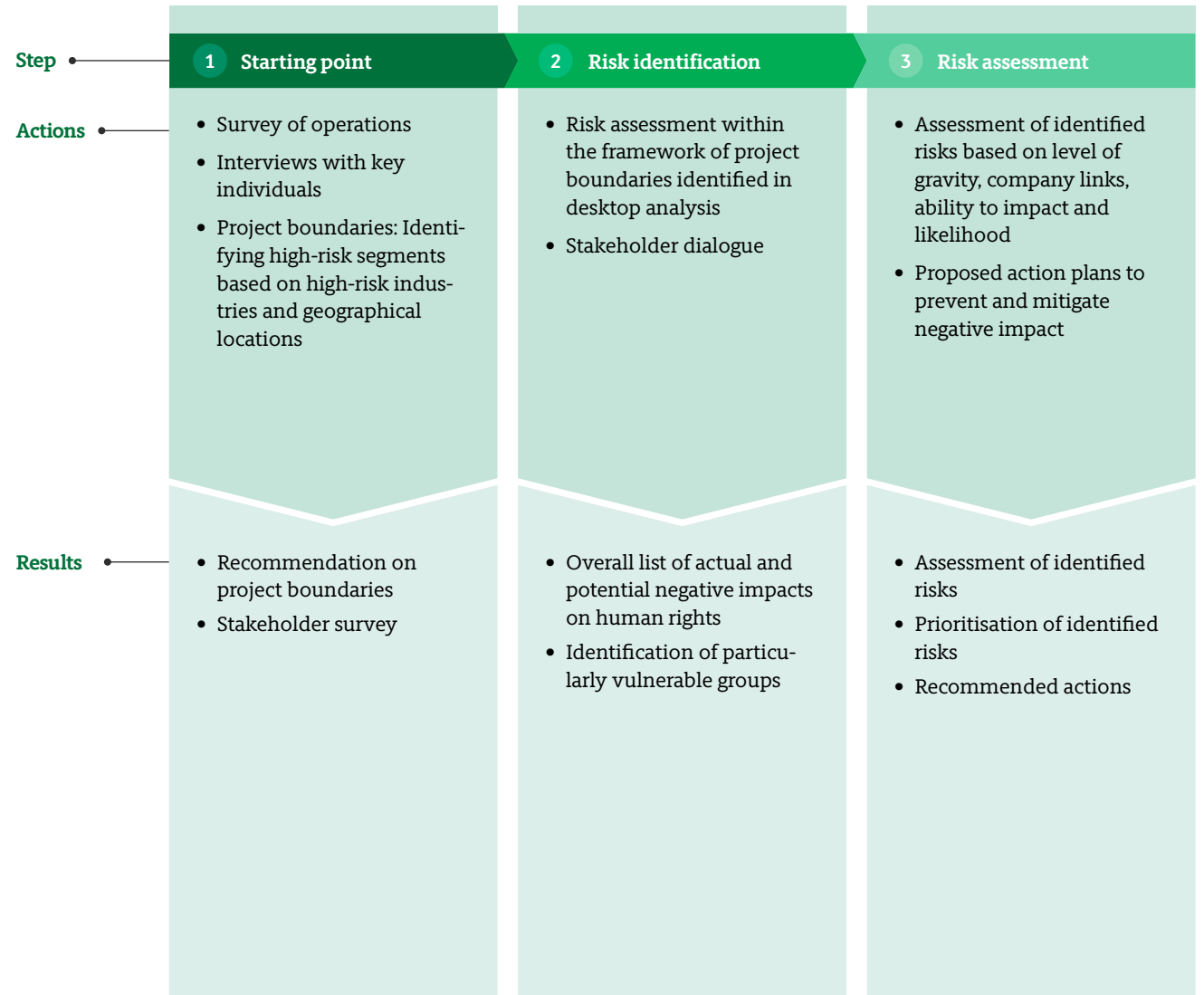
Pandox therefore has zero tolerance for criminality, human trafficking, prostitution or sexual exploitation. No cases of prostitution were reported during the year. The majority of the hotels provide regular courses that maintain a very high standard and are usually produced by established organisations 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 instead been given access to the digital courses of other hotels.

In 2022 Pandox started to work on human rights due diligence. A first step in this process was the implementation of an impact assessment. This is part of ensuring that Pandox both lives up to the Taxonomy Regulation's minimum social protection requirements and manages to meet future legal requirements that may be imposed under the EU's proposed directive on corporate sustainability due diligence. As a basis for these efforts Pandox applies the UN Guiding Principles on Business and Human Rights and the OECD's guidelines for multinational companies.

Pandox brought in a third party to guarantee independence in the impact assessment process. The assessment focused on identifying, assessing and reporting human rights risks – both in the supply chain and within Pandox itself – and what steps must be taken to manage these risks. The process was limited to the industries and countries relevant to Pandox's operations and value chain where the risks relating to human rights are considered higher.

In 2023 Pandox will work on strengthening the governing documents and internal processes needed to ensure that a sound due diligence process for human rights is in place.

Human rights impact assessment



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Sustainable supply chains

Pandox has a Code of Conduct for business partners which 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.

Pandox's biggest suppliers are companies within the construction industry and property management, and those providing goods and services for hotel operation. The construction industry is the industry identified as having the highest risk for Pandox. Of Pandox's 4,404 suppliers, 632 are related to the construction industry.

Screening of new and existing suppliers

Pandox has developed its process for screening new and recurring suppliers with the help of a new user-friendly system. New for 2022 was that suppliers above a certain annual minimum amount that had not been screened previously within Property Management are to be screened according to the new process. This means that existing suppliers go through the same process as new suppliers until these are in the system. In 2022 a total of 48 (82) Pandox suppliers were audited.

[Read more about Pandox's supply chain management process on the next page.](#)



Strategy for local sourcing

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 for purchases of food and beverages. 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. In 2022 around 80 percent of all purchases were made through this platform and around 20 percent were sourced from local suppliers.

Pandox is looking at ways in which the Company can more actively support local suppliers and the local economy while also maintaining reliable supplier management. Pandox is also developing a new strategy for responsible sourcing at the hotels it operates. The purpose is to provide clear guidance to the hotels, suppliers and central sourcing partners regarding minimum standards and objectives within important purchasing categories such as food and beverages, services, consumables and chemicals.

[For data on anti-corruption and suppliers, see Sustainability Notes 12 and 13.](#)



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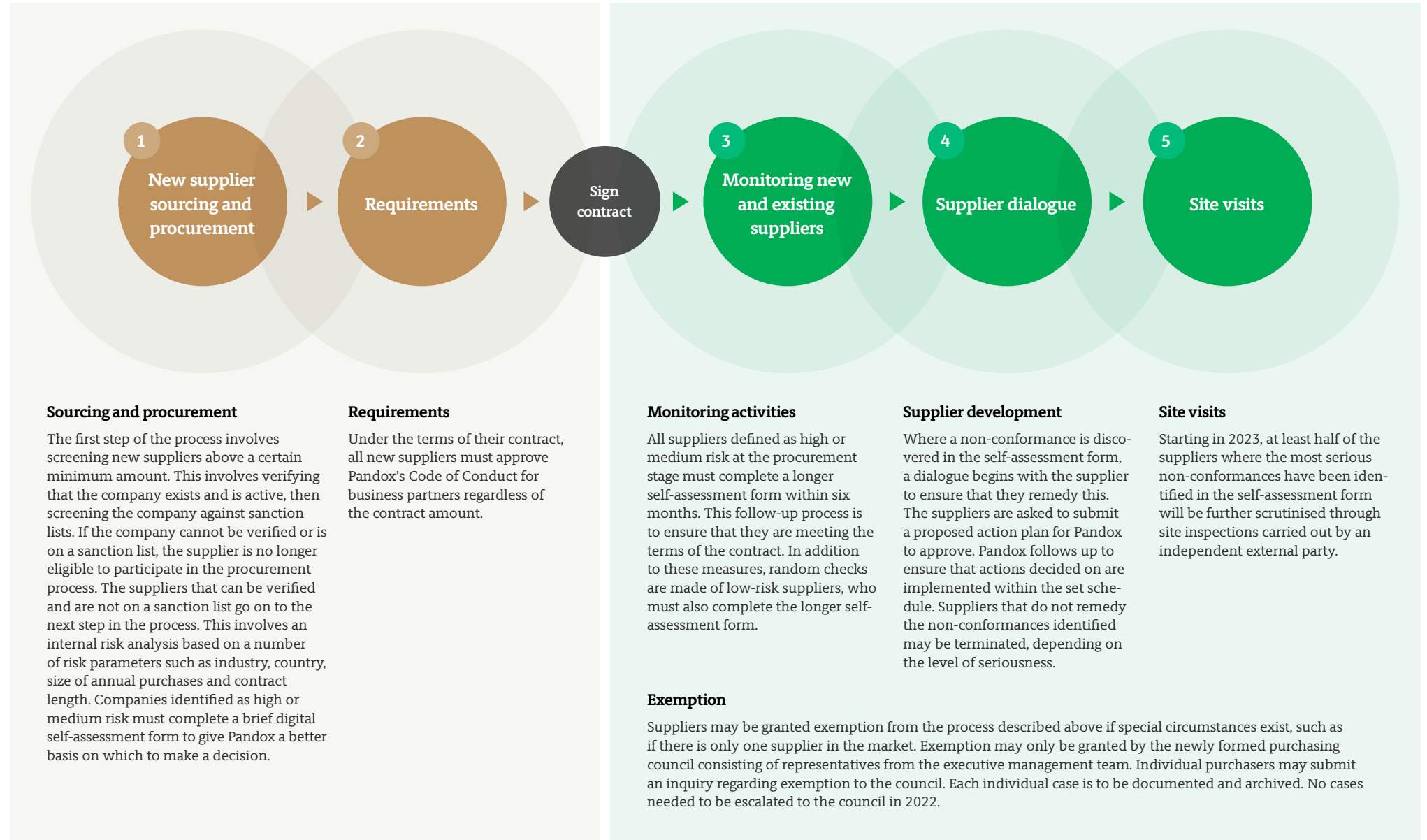
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Pandox's supply chain management process



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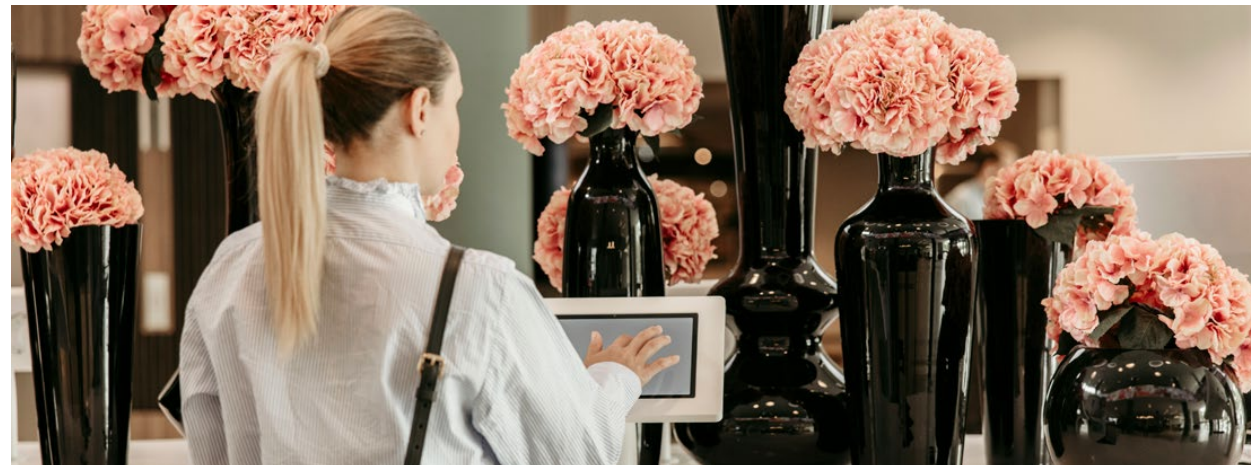
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Satisfied hotel guests are vital for the business to be successful. Pandox's properties must also be safe and secure – for the guests, those working there on a daily basis and those dropping in. In 2022 the majority of the Covid-19 restrictions were lifted and guests returned to the hotels.

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

Targets	Who is affected	Outcome 2022	Outcome 2021	Contributes to UN SDGs
Guest satisfaction At least 80% of guests at the hotels operated by Pandox would recommend Pandox hotels to others	Operator Activities	83%	82%	N/A
Guest safety Guests at hotels operated by Pandox must always feel safe	Operator Activities	4 cases	1 case	Targets 3.4 and 8.8
Guest privacy and data security Zero tolerance for incidents	Operator Activities	0 cases	0 cases	N/A



Satisfied hotel guests

Guest satisfaction is one of the most important indicators within Pandox's Operator Activities because it shows how well a hotel is living up to guest expectations. Indirectly it is also a measure of how competitive the products Pandox offers to its tenants are in terms of attractive hotel properties.

Pandox's objective for the hotels it operates is for at least 80 percent of the hotel guests to recommend the hotel to others. Guest satisfaction was at 83 (82) percent according to Pandox's annual guest survey, which was carried out by an external party in 2022.

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. This, in combination with the pent-up travel demand among guests following the pandemic, is the reason for the high level of guest satisfaction. Guest occupancy increased from 36 percent on average in Pandox's portfolio in 2021 to 60 percent in 2022.

Those booking conferences and business travel expect hotels to have environmental certification and to be able to report GHG emissions per guest night. Individual travellers have also started demanding this as more and more people are aware of the climate issue today. According to Booking.com, 81 percent of travellers want to stay at a hotel with green certification in the year ahead. Both Google and Tripadvisor offer an option to search for green hotels.

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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. The hotels are to be safe places to be in and the employees must have the right skills to operate them in a safe and professional way.

Pandox is responsible for ensuring that all of its 157 hotel properties follow building norms and other laws and safety regulations.

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.



Guest privacy and data security

Guest privacy and data security are important to Pandox. The Code of Conduct for employees contains guidelines on privacy and information security. The Company works actively to prevent breaches relating to data security and guests' personal data. Among other things, 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 2022 there were 0 (0) data breaches at hotels operated by Pandox.

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Focus area: Attractive and equal workplace

Pandox has 1,880 (1,560) employees who come from 90 (85) 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 and inclusivity in the workplace.

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

Targets	Who is affected	Outcome 2022	Outcome 2021	Contributes to UN SDGs
At least 80% satisfied employees in annual survey	Group	77%	78%	Targets 3.4, 4.4, 4.5, 5.1, 5.5, 8.5, 8.7, 8.8 and 10.2
Increase the percentage of female General Managers and senior managers	Operator Activities	41%	39%	Targets 5.1, 5.5 and 10.2
Sickness absence is to be measured and monitored on an ongoing basis and reported annually	Group	6%	7%	Targets 3.4 and 8.8

The majority of Pandox's employees work at the hotels operated by Pandox within Operator Activities. Withing 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.

Employees during the year

1,880 (1,560) employees in total

of which:

1,830 (1,510) in Operator Activities

11 (14) in Property Management

39 (36) at the head office

For more information on the employees and employment terms, see Sustainability Note 11.



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Attractive workplace that encourages development

The hotel industry faced significant challenges after the Covid-19 pandemic as employees needed to be let go and then chose to leave the industry. The industry is still affected by this as it has become harder to recruit new employees.

Studies¹⁾ also show that it has become increasingly important for employees to have meaningful work at a workplace where they feel appreciated and can develop professionally, working for a company that prioritises the environment and the social agenda.

Pandox makes every effort to be one of the most attractive employers in the hotel property industry. To achieve this Pandox offers a dynamic yet safe working environment where development is encouraged and there is zero tolerance for discrimination or harassment. In 2022 there was one case of harassment that was followed up immediately and dealt with according to established routines.

Employees are offered a clear mandate to succeed in their role at work. As the Company has 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.

Pandox carries out workplace evaluations of the physical and psychosocial work environment every three years or when significant changes are made within the organisation, in order to offer an attractive workplace.



Angelica Zupanc, General Manager at Radisson Blu Bremen.

¹⁾ Deloitte study

Employee satisfaction

Pandox's quarterly employee survey for hotel employees within Operator Activities showed employee satisfaction of 77 (76) percent for 2022.

An employee survey is carried out at the head office annually. Employee satisfaction is measured annually at the head office and was at 79 (80) percent in the survey carried out in the fourth quarter of 2022. This means that average employee satisfaction overall within Pandox was 77 (78) percent.

Employee turnover can be seen as another indicator of how satisfied the employees are. For 2023 it was significantly higher than normal and this is mainly due to a need that has existed for some time to reorganise certain parts of the Company to meet new demands. Due to the pandemic there were limited opportunities for organisational planning over the past three years and more leadership changes than normal have happened to fall at the same time. Employees have in turn had time to reflect on their future career choices and some have retrained for other occupations. Employee turnover increased by 42 (29) percent in 2022. Among Pandox's hotel employees the turnover was 42 (30) percent and among employees at the head office, including Property Management, 12 (6) percent.

Nominated as the most sustainable workplace

In 2022 Radisson Blu Bremen was the only hotel to be nominated as the most sustainable workplace in the tourism industry in the city of Bremen, Germany. The hotel has successfully integrated sustainability throughout its operations and sustainability is also a theme in its recruitment and marketing materials. Its genuine focus on sustainability was recognised as one of the main factors prized among candidates when selecting the hotel as an employer. The hotel's environmental focus, flexible job opportunities and structured career development plans all helped to create a loyal and high-performing team of employees who are thriving.



Fair working conditions and employment terms

It is important to have fair working conditions and employment terms. All of Pandox's employees have the option to join a trade union. Collective agreements are used in Operator Activities and collective bargaining takes place. In 2022, 68 (69) percent of all employees were covered by collective agreements.

At the head office and in Property Management collective bargaining agreements are not used, but employment terms are similar to those in collective bargaining agreements that exist elsewhere and the employees are given ample opportunities regarding employment terms, professional development and promotion.

Personal development

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

Average number of hours of training per employee in 2022 was 10 (9) hours. Here there is no significant difference between men and women or between different types of positions.

In 2022 performance and career development reviews were conducted with 53 (58) percent of Pandox's employees. The reduction relates to Operator Activities and is due to the recruitment of more new employees.

For more information, see Sustainability Note 11.

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Employee 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 1 (0) 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, retrofit 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 have an impact, 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.

Pandox also monitors sickness absence among the employees as an indicator of health. Sickness absence amounted to 6 (7) percent in 2022, which is slightly lower than in the previous year.

Employees at Pandox's head office are offered health checks at specific intervals depending on their age. In 2022, 62 percent of the employees took advantage of this opportunity, which will continue until March 2023.

For more information on health and safety, see Sustainability Note 11.

Health and wellbeing

Pandox encourages flexibility at work and physical activity to promote wellbeing and improve performance. Pandox Movement is an initiative at the head office and in 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

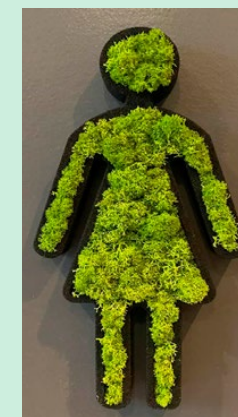
wellbeing programmes offered to employees, which is usually determined by which brand the hotel operates under. Certain hotels offer employees wellness opportunities in the form of use of the hotel's gym, pool and sauna before or after their shift. Some offer employees help to stop smoking as a way of promoting better health. Other examples of initiatives are physical and mental health check-ups, massage, designated prayer facilities, and paid leave for birthdays.

Diversity and gender equality

The majority of Pandox's employees work at the hotels in Operator Activities. The hotel industry is characterised by diversity – both in terms of nationality and age groups. It is important for Pandox's employees to reflect the diversity that exists among the guests.

In 2022 a diversity and inclusion workshop was held with representatives from the executive management team and key individuals from Pandox-operated hotels. The purpose was to create an

understanding of the fundamentals of diversity and inclusion, and to agree at a strategic level on a vision and ambition and on the reasons for Pandox's efforts in these areas. The next step is to hold a similar workshop, this time with general managers and employees who belong to minority groups within the organisation. This will ensure that relevant perspectives are included, so that it will be possible to produce a long-term strategy next year containing clear goals and activities.



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 at Pandox-operated hotels was 27 (21) percent at the end of 2022. The increase is due to the recruitment of an additional female general manager.

However, the percentage of women in Pandox's executive management team reduced to 30 (40) percent with the resignation of Pandox's Senior Vice President, General Counsel, as the replacement will not be part of the executive management team.

For more information on diversity, see Sustainability Note 11.

In 2022 Pandox gained a place on Allbright's green stock exchange list for having achieved an even gender balance in the executive management team. Allbright conducts an annual review of the stock exchange's top level in Sweden based on representation. The organisation then ranks the listed companies based on gender equality in executive management. Companies with the same percentage of men and women are given a green rating, companies that are not quite there are yellow and companies with no women in executive management are red-listed.



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Focus area: 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 to safe and secure neighbourhoods. Pandox wants to help create vibrant, inclusive and safe local communities.

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

Targets	Who is affected	Outcome 2022	Outcome 2021	Contributes to UN SDGs
Community projects All hotels and the head office will be involved in at least one project to support the local community in 2022	Group	17 hotels including the head office	11 hotels including the head office	Targets 4.4, 4.5, 8.6 and 10.2
Increased safety All hotels are to have facade and/or entrance lighting to increase safety in the vicinity	Operator Activities	18 of 20 hotels	17 of 20 hotels	Target 11.7

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.

46 (54) percent of Pandox employees live within a 10 kilometre radius of the hotel where they work, and 3 (4) percent of the employees live in socioeconomically vulnerable areas.

Pandox uses local and regional companies for technical operation, property services and laundering of linens and towels. 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, 18 (17) have lighting at their entrances and 20 (17) have surveillance cameras.



Holiday Inn Lübeck is involved in many local projects. One of these, a regional initiative to promote Lübeck as a sustainable holiday destination, is taking place in partnership with Lübeck's hotel and restaurant association and the local tourist board.

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 2022 the majority of the hotels in Operator Activities were engaged locally and several of them supported multiple initiatives. Examples of projects include providing food to homeless people, offering internships to young people with functional disabilities and sponsoring Pride in Copenhagen. Pandox is proud of the many initiatives that its hotels and teams have been involved in during 2022. To have an even greater impact through its projects to support local communities, a more strategic approach will be adopted. The purpose is to find shared issues for the hotels to focus on, to make the projects the hotels are engaged in more impactful. The hotels will still be very active in selecting projects going forward. The new strategy will be launched in 2023. This effort also includes monitoring and measuring outcomes.

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Ukraine in our hearts

Pandox donated MSEK 1 to UNICEF in 2022 to help Ukrainian refugee children have access to basic items such as food and clothes. The Company was also involved in several local initiatives to support Ukrainian refugees. As an example, Pandox hotels in Germany and Belgium made more than 4,000 hotel rooms available to refugees from March to December.



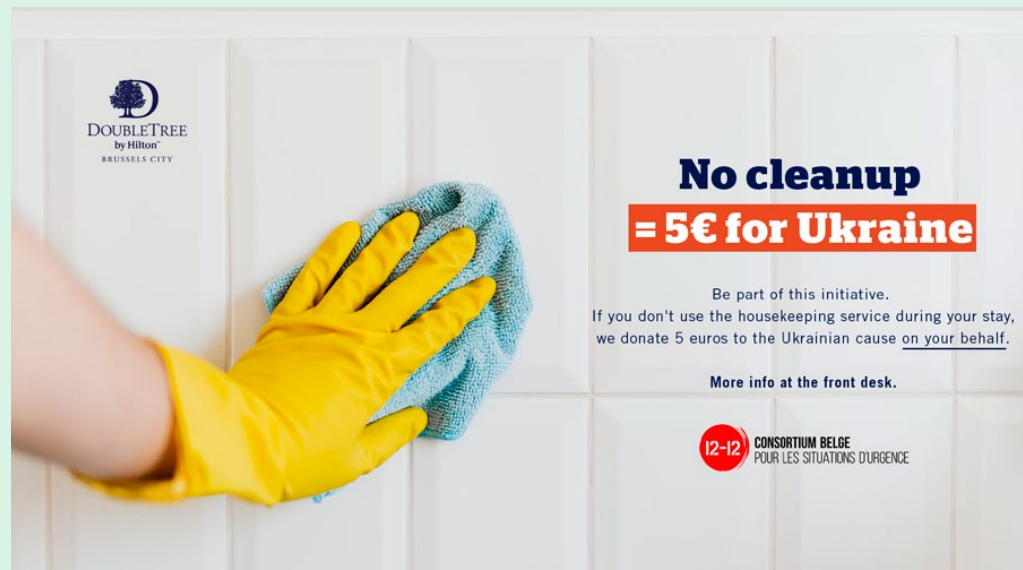
In Germany several Pandox hotels worked with #Hospitality Helps, an initiative that helps to provide temporary hotel accommodation free of charge to Ukrainian citizens who were forced to leave their homes due to the war.

Revenue from breakfast and dinner sales at the hotels was donated to the refugees on a regular basis.

Hotel guests were also given the opportunity to help.

At all Pandox hotels in Belgium the hotel guests were given the option to opt out of daily housekeeping; each time they did so, Pandox donated EUR 5 to Ukrainian refugees.

Pandox also sent 40 generators to Ukraine, providing portable electricity so that people could prepare food, have lighting and cover other basic needs.



Elena Drozd left Ukraine due to the war and is now General Manager of Hotel Indigo in Brussels

Elena was formerly General Manager of Bursa Hotel in Kyiv.

“On 23 February I was flying back to Ukraine from my holiday in Sri Lanka. During a stopover in Doha, I received a message from a friend at 4.30 a.m. on 24 February telling me that war had broken out. At that moment a new chapter in my life began. Our flight to Kyiv was cancelled and we were instead sent to Warsaw. From there I flew to Hamburg because I had a place to stay there. Bursa Hotel in Kyiv was forced to close due to the war. Two weeks later I decided to start looking for a job in Europe.

I did a lot of interviews, but the position as General Manager at Hotel Indigo Brussels was the most interesting, attractive and challenging all at the same time. I was invited to interviews in Brussels where I met with some of my future colleagues, saw the hotel and discussed the future strategy and vision with Pandox's management. I think it was a perfect match and we shared a mutual understanding for where we wanted to take the hotel.”

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S.1. ABOUT THE SUSTAINABILITY REPORT

The 2022 Annual Report includes the Pandox Sustainability Report for 2022. The report also constitutes Pandox's statutory Sustainability Report and meets the disclosure requirements in the Swedish Annual Accounts Act regarding sustainability reporting.

Pandox's Sustainability Report has been prepared in accordance with the GRI Standards. In 2022 Pandox implemented the core standards GRI 1 Foundation, GRI 2 General Disclosures and GRI 3 Material Topics, in the 2021 version.

The Sustainability Report also constitutes Pandox's Communication on Progress Report relating to the Ten Principles of the UN Global Compact. Pandox also reports according to TCFD and the EU Taxonomy Directive.

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 a materiality analysis conducted at the end of 2021. In 2022 Pandox started reporting on two new material sustainability topics, namely climate adaptation of buildings, and sustainable materials and products.

The Sustainability Report covers the full year 2022. Pandox's sustainability reporting follows the financial year and is published annually. The 2021 Sustainability Report was published on 11 March 2022. The publishing date for the 2022 Sustainability Report is 10 March 2023. The information in Pandox's Sustainability Report has not been externally audited.

Some revisions have been made to previously reported sustainability data regarding GHG emissions in past years. Read more about this in Sustainability Note 7 Climate.

Changes to the property portfolio, organisation and its supply chain

During the year Pandox acquired DoubleTree by Hilton Bath in the UK and NH Brussels Louise in Belgium. DoubleTree by Hilton Bath has been included in the Operator Activities business segment since 23 September 2022. NH Brussels Louise was in the Operator Activities business segment in the fourth quarter of 2022, but was reclassified on 31 December 2022 to the Property Management segment.

In May 2022 Mora Hotell & Spa in Sweden was divested and Scandic Kajanus in Finland was divested in July – both were in the Property Management business segment. In addition, an agreement was signed in September on the sale of Inter-Continental Montreal in Canada which was in the Operator Activities business segment. The transaction was not completed until February 2023 and the property is therefore included in the 2022 Sustainability Report.

Other than the changes in the property portfolio, no significant changes have taken place within Pandox's organisation or supply chain.

Report scope and boundaries

The Sustainability Report includes the Parent Company and directly owned subsidiaries as well as their subsidiaries. The report covers the parts of the organisation that Pandox has operational control over. 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 2022 measures 2,090,920 (2,084,947) sq m.

19 of 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". Pandox does not yet have access to sustainability data for the property acquired in 2022 and they are therefore not included in the sustainability data reported. The aim is to include their sustainability data in 2023.

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 94 hotels provide energy data, which represents 69 percent of the 137 hotels in the segment. This includes all Scandic hotels and the majority of Nordic Choice hotels, which are two of Pandox's largest tenants. Leonardo and Jurys Inn have competition-related and/or organisational considerations and, as a result, have not yet consented to 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 has been vital to the process of setting science-based targets 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.

Contact information



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S.2. MATERIALITY ANALYSIS AND STAKEHOLDER DIALOGUE

Feedback from Pandox's stakeholders on the Company's sustainability work and external analysis carried out 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, tenants, hotel guests, investors, professional and other organisations, suppliers and employees. These main stakeholders have in turn 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.

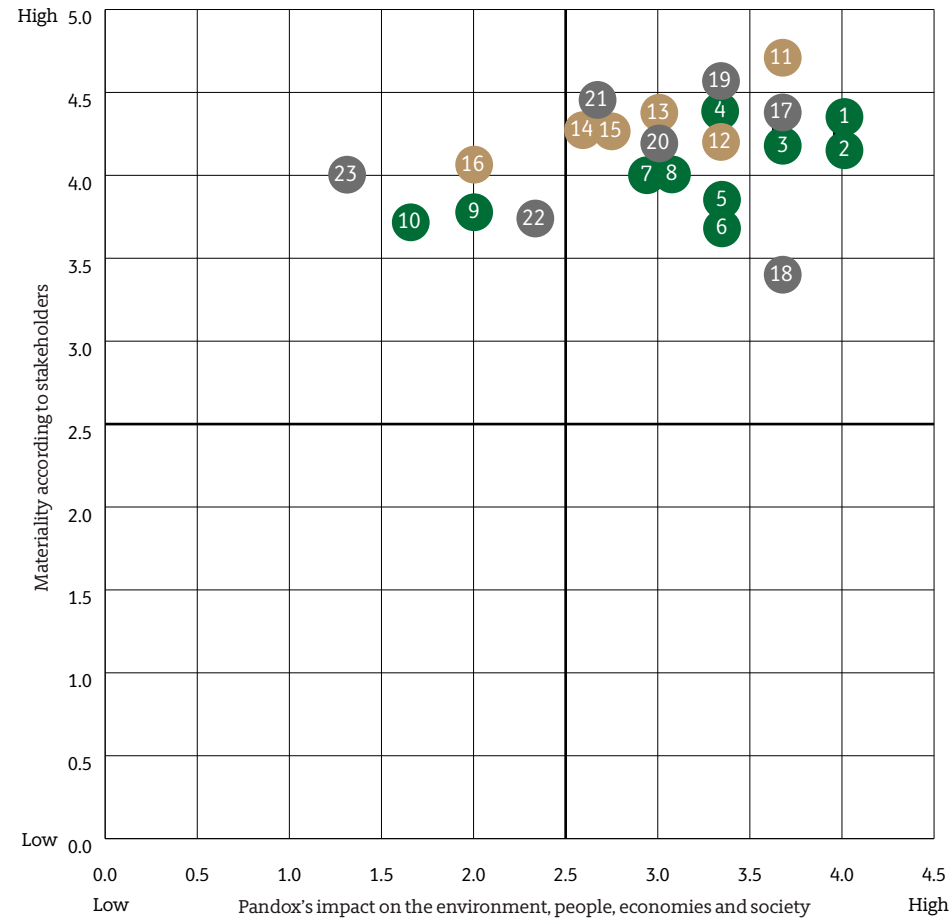
Process for materiality analysis and stakeholder dialogue ahead of 2022

In autumn 2021 a new stakeholder dialogue and materiality analysis were carried out to determine if there were any changes in the stakeholders' expectations and requirements, and to identify which material sustainability topics Pandox should focus on and report on in 2022 and onwards. The results are presented in the diagram to the side here.

This process began with an analysis of the external environment, including in-depth interviews with expert stakeholders, to identify potential sustainability topics that may be material for Pandox. Surveys were then carried out in which external and internal stakeholders had the opportunity to evaluate how much emphasis Pandox should place on each sustainability topic. Pandox examined the previous material sustainability topics as well as new topics, including biodiversity, climate adaptation, green transport and well-being, but also the topic of increased cooperation between hotel chains, property owners and suppliers.

Pandox then performed a new materiality analysis to evaluate the Company's positive and negative impact on the surrounding communities throughout the value chain from an economic, environmental and social perspective, and to prioritise the most material sustainability topics. The Board of Directors then verified that the sustainability topics defined as material in the materiality analysis are important for Pandox to focus on.

Materiality analysis results

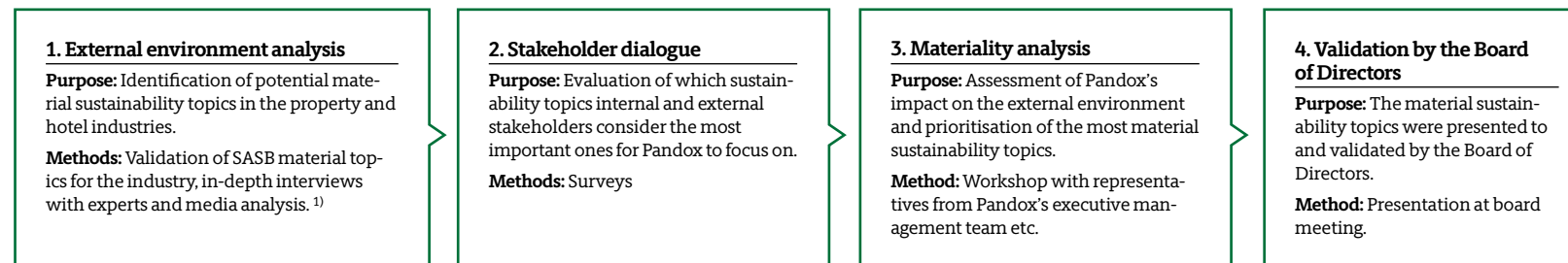


SUSTAINABILITY TOPICS EVALUATED IN THE 2021 MATERIALITY ANALYSIS

- 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 the buildings
 - 8 Reduced water consumption
 - 9 Green transport ¹⁾
 - 10 Biodiversity ¹⁾
- Employees and suppliers**
 - 11 Business ethics and anti-corruption
 - 12 Increased cooperation in the value chain within sustainability ¹⁾
 - 13 Health and safety of employees and subcontractors
 - 14 Fair employment terms for employees
 - 15 Attractive and equal workplace
 - 16 Wellbeing, employees ¹⁾
- 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 food ¹⁾
 - 23 Wellbeing, guests and visitors ¹⁾

¹⁾ These sustainability topics were analysed in the materiality analysis, but were evaluated as being less material to Pandox.

PANDOX'S MATERIALITY ANALYSIS PROCESS IN 2021



¹⁾ The GRI Standards do not as yet include any sector-specific standard for the property industry.

►► Note S.2., cont.

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RESULTS OF STAKEHOLDER DIALOGUE 2021

Stakeholder group	Dialogue format	Most important sustainability topics
Hotel guests	Survey	<ul style="list-style-type: none"> • Health and safety of guests and 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"> • Business ethics, anti-corruption • Employee health and safety • Satisfied tenants and hotel guests • Zero tolerance for trafficking and prostitution
The community (stakeholder organisations)	Survey/interview	<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 and visitors
Suppliers	Survey/interview	<ul style="list-style-type: none"> • Zero tolerance for trafficking and prostitution • Business ethics, anti-corruption • Health and safety of guests and visitors
Analysts	Interview	<ul style="list-style-type: none"> • Business ethics, anti-corruption • Zero tolerance for trafficking and prostitution • Reduced energy use / Environmental certification of buildings • Reduced climate impact
Investors	Survey/interview	
Shareholders	Survey/interview	
Board of Directors	Survey/interview	
Executive management team	Survey	<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 and visitors
Hotel employees	Survey	<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	
Employees: head office and Property Management	Survey	<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

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

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 the conversation was dominated by maintenance and development projects. In 2023 a survey is planned to be sent out to all 137 tenants with the aim of gaining a better understanding of their expectations with respect to Pandox's sustainability work.

As survey is carried out each year of employees at the head office and quarterly of employees at hotels operated by Pandox. Read more on page 77.

Dialogue with shareholders and investors takes place on a quarterly basis in connection interim reporting, through road shows and informal meetings, and through surveys to determine what they want to see in the Annual Report. In 2022 Pandox also intensified its dialogue with four of its largest banks regarding green financing. An agreement was reached with one of the banks in December regarding obtaining a sustainability-linked loan. This will take place in connection with a refinancing transaction in January. This dialogue clearly revealed what the requirements are and what is expected of Pandox. This has in turn impacted Pandox's strategic internal processes.

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 72 and Sustainability Note 13.

Pandox also has a dialogue with professional and industrial organisations on development opportunities, for example in connection with their evaluation of Pandox's sustainability work and results from surveys such as GRESB and CDP.

►► Note S.2., cont.

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PANDOX'S MATERIAL SUSTAINABILITY TOPICS AND HOW THEY LINK TO GRI REPORTING FOR 2022

Focus area	Pandox's material sustainability topics 2022	Reported topic-specific GRI disclosures and company-specific disclosures in the 2022 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
	Climate impact	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
	Climate adaptation of buildings	<i>Company-specific disclosures:</i> P-1: Properties for which climate risk assessment has been carried out as a percentage of total properties
	Water consumption	GRI 303-5 Water consumption
	Waste and recycling	GRI 306-3 Waste generated
	Sustainable materials and products	GRI 301-1 Materials used by weight or volume
	Sustainability certification	<i>Company-specific disclosures:</i> P-2 Sustainability-certified properties P-3 Percentage of Pandox's Operator Activities that are sustainability-certified
	Responsible and fair business	Sound business ethics/Anti-corruption
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
Guest satisfaction and security	Zero tolerance for trafficking and prostitution	<i>Company-specific disclosures:</i> P-4 Number of incidents of prostitution or trafficking
	Satisfied guests	<i>Company-specific disclosure:</i> P-5 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
Attractive and fair workplace	Customer privacy and data protection	GRI 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data
	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
Inclusive local communities	Health and safety of employees and sub-contractors	GRI 403-9 Work-related injuries GRI 403-10 Work-related ill health <i>Company-specific disclosures:</i> P-6 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
	Responsibility to local community	<i>Company-specific disclosures:</i> P-7 Percentage of hotels in Operator Activities, including the head office, that have community projects

S.3. EXTERNAL CONVENTIONS, INITIATIVES 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
- UN Guiding Principles on Business and Human Rights
- OECD Due Diligence Guidance for Responsible Business Conduct

Membership of associations, organisations and industry initiatives

- Energy and Environment Alliance Capital Market Committee (EEA)
- Sweden Green Building Council
- European Public Real Estate Association (EPRA)
- Property owners and their sustainability councils
- GRI Sustainable Hospitality Global Committee

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S.4. SUSTAINABILITY MANAGEMENT

Decision-making body on sustainability



The **Board of Directors** has overall responsibility for the strategic focus of sustainability and climate work, and makes decisions on the Company's policies. 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. The efforts in 2022 focused on science-based targets, green financing, and diversity and inclusion. 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 Pandox'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 2022 the forum analysed and evaluated the possibility of setting and submitting science-based targets. A strategic, long-term initiative within diversity and inclusion was also launched.

The SVP, Director of Sustainable Business reports sustainability performance to the executive management team and the general managers in the Operator Activities segment on a continual basis, including through the quarterly Green Update reports. Sustainability is also a permanent element of the Company's 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.



All Pandox 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 Pandox'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.

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

Pandox'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 Pandox operates.

Pandox's Environmental Policy establishes the values and guidelines for Pandox'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.

Pandox's Tax Policy states that Pandox 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 Pandox 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, Pandox regards paying tax as part of its social responsibility.

Pandox's Personal Data Policy and Information Security Policy guarantee protection of guests' personal data and privacy.

All of the above policies have been signed by the Board of Directors. Policies with general relevance are published on Pandox's website, while those of a more technical nature are not published there. Each policy has information on which international principles the policy supports, which activities and which stakeholders they include, division of responsibility, guidelines to be followed and how the policy is to be communicated and implemented.

The Purchasing Policy and Maintenance Policy are not signed by the Board but by a representative from the executive management

team, as that is a more operational issue. These enable Pandox'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, Pandox continued to collect sustainability data on a monthly basis in 2022 in areas such as water and energy use as well as waste. This data is validated every quarter. At the end of the year 19 of the 20 hotels in the Company's Operator Activities segment, 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 Pandox's own operations to gain control, set goals and reduce waste, and the need to put in place supplementary

IMPORTANT GOVERNING DOCUMENTS

- Code of Conduct for employees
- Code of Conduct for business partners
- Environmental Policy
- Anti-corruption Policy
- Human Rights Policy
- Tax Policy
- Purchasing Policy
- Maintenance Policy
- Personal Data Policy
- Information Security Policy
- Statement on the Modern Slavery Act
- Risk management and internal control

►► Note S.4., cont.

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agreements containing green provisions in Property Management to meet the requirements in both the EU taxonomy and the Paris Agreement.

To ensure compliance with the Codes, Pandox 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. To ensure this is managed correctly in accordance with established processes, self-assessments are completed annually and reported on to Pandox's Audit Committee. These controls help Pandox to maintain high quality in ongoing accounting processes and consequently also in financial reporting.

The whistleblower system and grievance mechanisms

Pandox values an open culture in which employees and stakeholders are not afraid to report irregularities and problems in the workplace so that they can be addressed. Pandox therefore has an independent, external whistleblower system available to employees and other external stakeholders. Any suspected irregularities or deviations from Pandox's policies can be reported anonymously into the system. Matters reported are handled by an external party. It is also possible to report on HR issues anonymously. These are then handled by the respective hotel's head of HR.

Pandox's stakeholders can also submit grievances or ask to have steps taken to remedy any negative impact that Pandox has caused or contributed to. This includes human rights violations. Complaints of this nature can be made to any manager within Pandox, who then forwards the matter to be addressed by the executive management team. The Board is informed about all matters of a more serious nature.

Employees at hotels operated by Pandox have the opportunity to appoint a works council for their hotel, consisting of employee representatives and an appointed manager. The council is tasked with ensuring that the employees' rights are respected. Internal grievances can also be raised with the council and are then communicated to the hotel's management so that appropriate steps can be taken.

Employees can also make complaints and provide feedback through quarterly employee surveys carried out at Pandox-operated hotels as well as annually at the head office. The general managers and the executive management team are provided with the results in order to make decisions on relevant steps to take if necessary.

To manage feedback from guests, Pandox uses an external company to capture all complaints communicated via the market's various booking sites, such as Tripadvisor, Booking.com, Holidaycheck etc., and responds to complaints directly in those channels.

►► Note S.4., cont.

PANDOX'S GOVERNANCE OF MATERIAL SUSTAINABILITY TOPICS

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GOVERNANCE (GRI 3-3)

MATERIAL SUSTAINABILITY TOPICS	Impact on the economy, environment, people – negative/positive, actual/potential	Involvement in impacts – where in the value chain	Policies and commitments – to manage the issue	Actions taken – to prevent, mitigate or address impacts	Tracking the effectiveness of the actions taken – processes, targets, progress, lessons learnt	Engagement with stakeholders – impact on actions and contribution to outcomes
Energy consumption	Significant energy consumption, potential for a positive impact on the environment and economy by improving efficiency and producing locally.	Requirements of suppliers of energy and products that use energy. Energy producer and facilitator of energy efficient actions among tenants and hotel guests.	Environmental Policy, Maintenance Policy, SBTi.	Pandox's green investment programmes. Expansion of solar panels. Investigation and analysis of actions within Property Management.	Continual energy monitoring. Monitoring self-generated energy.	Energy investigations carried out will provide the basis for future green leases with clients within Property Management.
Climate impact	Substantial emissions in the value chain and potential to reduce these.	Requirements of suppliers of goods, materials and services in operations as well as capital goods purchases.	Environmental Policy, Purchasing Policy, SBTi.	Identification of significant emission items and planning to reduce these.	Actions are followed up annually through calculations of Scope 1, 2 and 3 emissions according to the GHG Protocol. Targets are produced according to SBTi.	A plan exists for training employees in material choices and circularity. Evaluation of initiatives to be carried out in the year ahead.
Climate adaptation	Short-term impacts identified through annual risk analysis. Long-term impact identified through a workshop with Pandox's executive management team in 2021, also deemed relevant for 2022. Sensitivity analysis carried out to assess the effects of identified risks and opportunities.	Development of properties and acquisitions.	Environmental Policy and reporting according to TCFD.	Desktop analysis of 100 percent of the property portfolio using climate risk assessment tool, site visits and creation of action plans.	The process of creating and implementing action plans is assessed annually. Actions are to be completed no later than 2030.	Cannot be evaluated until the action plans have been carried out in the years ahead.
Water consumption	Potential negative impacts in areas of high water stress.	End-users in Operator Activities. Ability to exercise control, mainly through product choices, by quickly identifying and remedying water leaks, through behavioural changes (tenants and employees) and by developing innovative processes.	Environmental Policy.	Installation of water-saving equipment, encouraging employees, tenants and hotel guests to help reduce water use.	Water use is monitored and reported annually. Results for 2022 indicate a reduction in water use. Target for 2023 is a 20% reduction relative to 2018.	Monitoring process to be developed in the years ahead.
Waste and recycling	Negative impacts from wasting resources and significant potential for improvement in hotel operation and property management.	Waste is generated by tenants, operational activities, construction projects and upstream in the value chain for sourced products.	Environmental Policy, Code of Conduct for business partners.	Reduced use of packaging and single-use items. Detailed monitoring of food waste.	Max. 1 kg waste/guest night by 2025 and 0.6 kg/guest night no later than 2030 in Operator Activities.	Plan to introduce visualisation of waste flows to facilitate better monitoring by management and employees at each hotel, as well as campaigns to change behaviour. Evaluation possible in 2024 at the earliest.
Sustainable materials and products	Extraction of raw materials and the impact of material manufacturing in the value chain could potentially harm the environment and people. Reduced resource use and conscious material choices have a positive impact.	Purchase of materials and products, use of chemicals and refrigerants.	Environmental Policy.	Analysis of climate emissions in construction and renovation, chemical-free cleaning agents, switch to non-synthetic refrigerants.	Monitoring the percentage of organic products and chemical-free cleaning agents at Pandox-operated hotels.	Employees involved through training and forums on chemical-free cleaning.
Environmental certification	Verification of environmental performance by a third party guarantees that ambitious goals are turned into practical actions.	Part of the acquisition process, In-Use certification, recertification.	Environmental Policy.	Active efforts are ongoing to increase the number of certifications for properties and operations.	BREEAM certification of properties operated by Pandox no later than 2030 (54% in 2022). Green Key certification of all hotels operated by Pandox (86% in 2022).	Certification of properties leased to other actors requires commitment from the operator's employees and a shared view that certification creates business opportunities.

►► Note S.4., cont.

GOVERNANCE (GRI 3-3)

Strategy and operations	+
Market and trends	+
Properties	+
Sustainability	-
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Financial	+

MATERIAL SUSTAINABILITY TOPICS	Impact on the economy, environment, people – negative/positive, actual/potential	Involvement in impacts – where in the value chain	Policies and commitments – to manage the issue	Actions taken – to prevent, mitigate or address impacts	Tracking the effectiveness of the actions taken – processes, targets, progress, lessons learnt	Engagement with stakeholders – impact on actions and contribution to outcomes
Good business ethics/anti-corruption	Positive impact through clear policies and systems to prevent corruption. Potential negative impact if guidelines are not followed.	Sourcing of goods and services, acquisitions, HR matters.	Anti-Corruption Policy, Code of Conduct for employees, Code of Conduct for business partners, Insider Policy, risk management and internal control.	Digital purchasing systems within Operator Activities. Frequent training in the Code of Conduct and business ethics. Clear escalation process for complaints and incidents of a more serious nature. Whistleblower system that allows anonymity.	No cases of corruption were reported in 2022.	Training in the Code of Conduct currently also held in groups based on the employees' wishes.
Sustainable supply chain	Positive impact through demand for goods and services locally and globally. Potential negative impact on the environment and people if established requirements are not met.	Purchases of goods and services.	Code of Conduct for business partners.	Process for managing the supply chain and continual scrutiny of business partners.	80% of purchases made through a digital purchasing system and 20% from local suppliers. 48 supplier audits in 2022.	If supplier nonconformances are observed, steps to improve can be agreed upon. In the case of serious or repeated nonconformances the contract can be terminated.
Trafficking and prostitution	Very negative impact on people.	Within Pandox there is a high level of awareness that trafficking and prostitution may occur in hotel environments.	Human Rights Policy, Modern Slavery Act statement. Zero tolerance for trafficking. Whistleblower system and process for following up on incidents.	The hotel employees complete internal training on the topic.	Zero cases of prostitution or sexual assault reported in 2022.	Constant focus on preventive measures in cooperation with local police authorities.
Satisfied guests	Significant potential to have a positive impact on people.	Direct contact with guests in Operator Activities and facilitator in Property Management.	Code of Conduct for employees, Human Rights Policy, Personal Data Policy, Information Security Policy and Environmental Policy.	Continual training for employees based on Pandox's Code of Conduct for employees.	Continual measurement of guest satisfaction.	Continual identification of areas that generate high customer satisfaction.
Hotel guest health and safety	Potential negative impact on people in the event of shortcomings in procedures/controls.	Direct contact with guests in Operator Activities and facilitator in Property Management.	Code of Conduct for employees, Personal Data Policy and Information Security Policy.	Training of employees in first aid and data security. Ensuring adequate perimeter protection, security guards and surveillance cameras.	Fire and evacuation drills are carried out on a regular basis. Emergency preparedness plans and safety policies are to be in place for all Pandox-operated hotels.	Guest safety is measured as part of the Company's customer satisfaction survey.
Customer privacy and data security	Potential negative impact on people and the economy in the event of shortcomings in procedures.	Direct contact with guests within Operator Activities.	Code of Conduct for employees, Personal Data Policy and Information Security Policy.	Firewalls, password-protected systems etc.	Annual review of the number of incidents in hotels operated by Pandox.	Continual improvement initiatives involving employees and systems to always maintain the highest levels of guest privacy and data security.
Attractive workplace that encourages development.	Positive impact through gender equality, and diversity and inclusion. Potential negative impact if the Company's policies and guidelines are not complied with.	Employer responsibility for employees at hotels operated by Pandox, the head office and in Property Management.	Code of Conduct for employees, Human Rights Policy.	Annual performance and career development review and continual employee training.	Employee survey carried out every quarter within Operator Activities and annually in other parts of the Company.	In 2022 a diversity and inclusion workshop was held with representatives from the executive management team and key individuals from Pandox-operated hotels. A similar initiative at all hotels operated by Pandox is planned for 2023.
Health and safety of employees and subcontractors	Potential negative impact if the Company's policies and guidelines are not complied with.	Employer responsibility for employees at hotels operated by Pandox, the head office and in Property Management. Consultants and suppliers who work at Pandox's workplaces daily are included in an annual review of ill health, accidents and sickness absence.	Code of Conduct for employees, Human Rights Policy.	Identification of the main elements of risk as well as training and information to limit the number of accidents.	Continual monitoring of accidents at work and work-related ill health among employees and subcontractors, as well as sickness absence among employees.	Regular meetings of health and safety officers, health and safety representatives and elected employee representatives with management of hotels operated by Pandox.
Fair employment terms and equal rights	Positive impact through gender equality, and diversity and inclusion. Potential negative impact if the Company's policies and guidelines are not complied with.	Employer responsibility for employees at hotels operated by Pandox, the head office and in Property Management.	Code of Conduct for employees, Human Rights Policy.	Whistleblower system that allows anonymity in HR matters. Collective agreements and collective bargaining in Operator Activities.	Annual review of the number of female general managers in hotels operated by Pandox. One case of harassment was reported in 2022.	Pandox's ambition is for both genders to be represented in the recruitment process for senior roles.
Responsibility to local community	Positive impact through active community engagement. Potential negative impact if policies and guidelines are not complied with.	Creation of job opportunities and venues for meetings and experiences, and increasing security in the vicinity of the hotels.	Code of Conduct for employees and business partners.	All hotels and the head office will be involved in at least one project to support the local community. All hotels are to have facade and/or entrance lighting to increase safety in the vicinity.	Annual status report.	Launch in 2023 of new strategy for local community engagement and strategy for sustainable purchasing at Pandox-operated hotels. Monitoring of this will begin in the year ahead.

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S.5. REPORTING ACCORDING TO THE EU TAXONOMY

For the second consecutive year Pandox is reporting according to the EU Taxonomy Regulation. The aim is to show 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 being included since the other four objectives haven't been released yet; climate change mitigation and climate change adaptation.

Pandox has produced guidance and instructions on the way in which data is to be gathered internally in order to report according to the Taxonomy Regulation.

Reporting for 2022

In 2022, 55 percent of turnover, 99 percent of capital expenditure (CapEx) and 100 percent of operating expenditure (OpEx) were eligible for the taxonomy's environmental objective 1. The proportions aligned with the same environmental objective were 4 percent of turnover, 6 percent of CapEx and 5 percent of OpEx.

For existing properties, energy performance is the decisive parameter vis-à-vis the EU taxonomy's environmental objective 1. The property should be at least A-Rated to be classed as sustainable or be in the top 15 percent of the national building stock with evidence provided. In Sweden this implies A or B according to Fastighetsägarna, which is what Pandox use in its analyse until there is new guidance on the market. At the end of 2022 Pandox had nine properties that had an energy performance certificate with a rating of B. One of these is in Sweden and the remainder are in the UK.

The taxonomy-aligned percentages should be viewed in light of the fact that Pandox's property portfolio consists largely of older buildings, the majority of which do not achieve a B rating. Existing buildings are not in the same position as new production, where current energy requirements are taken into account right from the planning stage. Moving a property from a very low energy rating to a rating of A or B can be technically very challenging and may require significant investment and cooperation with tenants, which is not always possible for externally operated hotels. In many cases it is determined that such a shift is neither commercially justifiable nor technically implementable, and that it would be necessary to demolish the building and build a new one. This is also not consistent with Pandox's objective of reducing climate impact, as it leads to high resource consumption.

In addition, Pandox has properties in 15 markets with different national rules and regulations on how to calculate energy ratings and how different types of energy are to be weighted. The conditions and circumstances also vary greatly. Sweden has a widespread district heating grid with low emissions, while natural gas boilers are a common solution for heating in countries such as England. Sources of electricity production also vary greatly from country to country. In Sweden fossil fuels account for around 1 percent of electricity production, while in the UK fossil natural gas accounts for 35 percent of elec-

tricity production, and there is also oil and coal in the mix in addition to this. Direct comparisons of national ratings therefore often do not provide a true and fair picture at present. As an example, an energy rating of B in England for certain types of buildings is equivalent to a rating of F in Scotland. In Germany there is no scale and in Belgium there are as yet no energy performance certificates for the hotel properties category. According to new EU directives, this will be required from 2025 to achieve better comparability between countries.

As part of its work on SBTi Pandox launched an internal project to identify properties in which energy efficiency needs to be improved in order to align with the Paris Agreement. Pandox's aim is to move properties to a B-rating where possible.

Minimum safeguards:

In 2022 a review and assessment was carried out by a third party of Pandox's performance in relation to the EU taxonomy's minimum safeguards, based on the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, and the ILO's eight Fundamental Conventions. The outcome of the review was that Pandox is assessed to be in compliance with the governance criteria as defined in the minimum safeguards.

In 2022 the Company carried out a human rights impact assessment (HRIA). To read more about this process and the assessment, see page 71.

A contracted third party has also verified whether any incidents were reported to National Contact Points under the OECD Guidelines and/or any allegations against Pandox for any breach of labour laws and human rights were reported to the Business & Human Rights Resource Centre. The areas verified were Pandox, the executive management team and Board of Directors, and subsidiaries. The result was that no (0) incidents had been reported and there are therefore no indications that Pandox has been accused or found guilty of any breach of the OECD Guidelines and the UN Guiding Principles.

In dialogue with Pandox it was also verified that the Company has developed and adopted appropriate programmes and measures to prevent and detect corruption and to ensure healthy competition. The result showed that neither Pandox nor its subsidiaries have breached any tax-related laws and there are no confirmed violations according to the Dow Jones RiskCenter. Nor has Pandox or its executive management been found guilty of any breach of competition laws, according to the Dow Jones RiskCenter.

In 2023 Pandox will further develop and formalise the full human rights due diligence process. This process will be based on six steps as described in the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

DNSH:

Today's society is highly vulnerable to climate change because it is adapted to the climate we have today. Climate change will lead to higher temperatures,

changed precipitation patterns, and more frequent and intensive, extreme weather events, such as heatwaves, drought and torrential rain. It is therefore important to start now to determine which effects will impact Pandox's operations and to make a plan to minimise these effects. Pandox therefore needs to perform climate risk assessment of its property portfolio and to carry out climate adaptation of properties where there is a high risk of negative impacts from a changed climate. Another important aspect of Pandox's responsibility is to report according to the EU Taxonomy Regulation to what extent the Company's operations are environmentally sustainable.

Pandox uses a modelling tool that assesses and makes a financial evaluation of the Company's exposure to physical climate risk and natural disaster risk for all of its properties. The tool was implemented in 2022 and assesses the buildings' risks based on the IPCC climate scenarios (RCP 2.6 (1.5 °C), RCP 4.5 (2-3 °C) och RCP 8.5 (4 °C)) and timeframes (current risk and risk in 2030, 2050 and 2100 respectively).

The tool includes both climate risks and each property is assigned a risk level of between one and five for each area, where one is very low risk and five is very high risk.

The following climate risks are included in the tool in accordance with the Taxonomy Regulation:

- Changed wind patterns
- Cyclones, hurricanes and typhoons
- Tornados
- Changed precipitation patterns and types
- Sea level rise
- Drought
- Precipitation
- Floods

The following climate risks are not included in the tool, for the reasons stated:

- Storms (including snowstorms, dust storms and sandstorms) are not included because dust storms and sandstorms do not constitute a major risk in Northern Europe where Pandox's properties are primarily located. Snowstorms may, on the other hand, constitute a risk for the property sector in the form of increased maintenance costs. However, it is still not entirely clear what the effects of climate change will be on snowstorms. In addition, there is no global risk map available for this. Instead data has to be obtained from local meteorological institutes.
- Hydraulic variables are not included because the consequences do not significantly affect the property sector. Drought and floods are covered by other climate variables.
- Ocean acidification is not included in the analysis as this will mainly impact and change marine food chains and the food supply. The property sector is therefore not directly exposed to this risk.

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- Saltwater intrusion through surface and groundwater sources could reduce access to fresh water in coastal areas, which could affect a small percentage of the portfolio in the long term although this risk is not considered high for Pandox at this time. Other risks that may impact saltwater intrusion such as sea level rise are, however, included in the risk analysis.
- Water stress is not included in the risk analysis, but Pandox is conducting an analysis of this parameter using the WRI tool in order to monitor which properties are in areas of high water stress.
- Glacial lake outburst flood (GLOF) is not included as there are no properties in regions close to glacial lakes.
- Landslide, landslip, erosion, avalanche, solifluction and subsidence are not included in the risk analysis because Pandox's properties are not located in areas where these risks are considered sufficiently high.

The tool is based on modern climate forecasts that correspond to the expected life of the properties.

For properties that are considered to be aligned with the taxonomy's technical criteria for environmental objective 2 for economic activity 7.7 or aligned with the technical criteria in environmental objective 1 where they need to meet the DNSH requirements for economic activities 7.2-7.7 or 9.3, Pandox is to conduct an individual analysis of the need for climate adaptation on site in the building when the physical climate risk is considered very high or high.

In 2022 site-based evaluations were conducted for the three properties with an energy rating of B as well as a high or very high risk based on climate adaptation. This resulted in an action plan for two of them. At the third property a deeper analysis was carried out by a third party, who determined that a site inspection was not applicable. This was because the risk consisted of potential solifluction which was typical for the whole area, but the risk was still deemed minimal.

Pandox's taxonomy-eligible economic activities

- Renovation of existing buildings
- Installation, maintenance and repair of energy-efficient equipment
- Installation, maintenance and repair of charging stations for electric vehicles
- Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance
- Installation, maintenance and repair of renewable energy technology
- 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

ECONOMIC ACTIVITIES

Turnover

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

Taxonomy-eligible: 55% of turnover
(Rental income within Property Management is taxonomy-eligible.)

Taxonomy-aligned: 4% of turnover

Capital expenditure (CapEx)

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

Taxonomy-eligible: 99% of CapEx
(All reported IFRS capital expenditure – including right-of-use assets – within Property Management and Operator Activities are taxonomy-eligible except for capital expenditure on right-of-use assets for certain premises, on cars and on other leased equipment.)

Taxonomy-aligned: 6% of CapEx

Operational expenditure (OpEx)

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

Taxonomy-eligible: 100% of expenditure relating to maintenance and repair costs, which essentially means investments in investment properties that cannot be capitalised.

The cost of operating the properties is not included.

Taxonomy-aligned: 5% of expenditure

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PROPORTION OF PANDOX'S TURNOVER THAT IS TAXONOMY-ELIGIBLE AND TAXONOMY-ALIGNED Turnover

Economic activities (1)	Code/codes (2)	Absolute turnover (3) MSEK	Proportion of turnover (4) %	Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)						Minimum safeguards (17) Yes/No	Taxonomy-aligned proportion of turnover, year N (18) Percent	Taxonomy-aligned proportion of turnover, year N-1 (19) Percent	Category (enabling activity or) (20) E	Category (transitional activity) (21) T			
				Climate change mitigation (5) %	Climate change adaptation (6) %	Water and marine resources (7) %	Circular economy (8) %	Pollution (9) %	Biodiversity and ecosystems (10) %	Climate change mitigation (11) Yes/No	Climate change adaptation (12) Yes/No	Water and marine resources (13) Yes/No	Circular economy (14) Yes/No	Pollution (15) Yes/No	Biodiversity and ecosystems (16) Yes/No								
A. TAXONOMY-ELIGIBLE ACTIVITIES																							
A.1. Environmentally sustainable activities (taxonomy-aligned)																							
7.7 Acquisition and ownership of buildings	7.7	212	4%	100%												Yes			Yes	4%			
Turnover of environmentally sustainable activities (taxonomy-aligned) (A.1)		212	4%	100%																4%			
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned)																							
7.7 Acquisition and ownership of buildings	7.7	2,840	51%																				
Turnover of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned) (A.2)		2,840	51%																	51%			
Total (A.1 + A.2)		3,052	55%																	55%			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																							
Turnover of taxonomy-non-eligible activities (B)		2,486	45%																				
Total (A + B)		5,537	100%																				

A.1. Environmentally sustainable (taxonomy-aligned) activities
 7.7 Acquisition and ownership of buildings: Rental income within Property Management for properties with an energy rating of EPC B with an approved climate risk assessment.
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned)
 7.7 Acquisition and ownership of buildings Rental income in Property Management for all other properties.
Turnover from activities that are not taxonomy-eligible (B)
 Revenue that meets the taxonomy's definition of revenue but that is not applicable. For example, re-invoicing and all revenue in Operator Activities.
Total (A + B)
 Represents the Group's net sales excluding government grants.

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PROPORTION OF PANDOX'S CAPEX THAT IS TAXONOMY-ELIGIBLE AND TAXONOMY-ALIGNED
Capital expenditure (CapEx)

Economic activities (1)	Code/codes (2)	Absolute CapEx (3) MSEK	Proportion of CapEx (4) %	Substantial contribution criteria				DNSH criteria (Does Not Significantly Harm)							Minimum safeguards (17) Yes/No	Taxonomy-aligned proportion of CapEx, year 2022 (18) Percent	Taxonomy-aligned proportion of CapEx, year N-1 (19) Percent	Category (enabling activity) (20) E	Category (transitional activity) (21) T			
				Climate change mitigation (5) %	Climate change adaptation (6) %	Water and marine resources (7) %	Circular economy (8) %	Pollution (9) %	Biodiversity and ecosystems (10) %	Climate change mitigation (11) Yes/No	Climate change adaptation (12) Yes/No	Water and marine resources (13) Yes/No	Circular economy (14) Yes/No	Pollution (15) Yes/No						Biodiversity and ecosystems (16) Yes/No		
A. TAXONOMY-ELIGIBLE ACTIVITIES																						
A.1. Environmentally sustainable activities (taxonomy-aligned)																						
7.7 Acquisition and ownership of buildings	7.7	3	0.1%	100%															Yes	0.1%		
7.3 Installation, maintenance and repair of energy-efficient equipment	7.3	101	5.4%	100%															Yes	5.4%		
7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	7.4	1	0.1%	100%															Yes	0.1%		
7.5 Installation, maintenance and repair of instruments and devices for measuring, regulating and controlling energy performance of buildings	7.5	12	0.6%	100%															Yes	0.6%		
CapEx for environmentally sustainable (taxonomy-aligned) activities (A.1)		117	6.3%	100%																6.3%		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned)																						
7.7 Acquisition and ownership of buildings	7.7	1,734	93.1%																			
CapEx for taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned) (A.2)		1,734	93.1%																		93.1%	
Total (A.1 + A.2)		1,851	99.4%																		99.4%	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																						
CapEx for taxonomy-non-eligible activities (B)		12	0.6%																			
Total (A + B)		1,863	100%																			

A.1 Environmentally sustainable (taxonomy-aligned) activities:

Refers to aligned economic activities that meet the technical criteria applicable to Pandox's investment properties and operating properties. Point 7.7 refers only to CapEx for properties with an energy rating of EPC B with an approved climate risk assessment.

A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned):

Of which acquisitions of MSEK 536 relate to operating properties and MSEK 365 to investment properties. Of which MSEK 432 is CapEx for existing investment properties, which largely corresponds to the investments stated in Note E1 (investment properties), adjusted for aligned CapEx included under point A.1. Of which MSEK 430 is CapEx for existing operating properties, which largely corresponds to the investments stated in Note E3 (operating properties), adjusted for aligned CapEx included under point A.1. Of which MSEK 87 is CapEx for right-of-use assets relating to rented premises where activities take place; this is included in Note G5 regarding investments in right-of-use assets.

B: Refers, for example, to rent for office equipment and offices.

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PROPORTION OF PANDOX'S OPERATING EXPENDITURE THAT IS TAXONOMY-ELIGIBLE AND TAXONOMY-ALIGNED
Operational expenditure (OpEx)

Economic activities (1)	Code/codes (2)	Absolute OpEx (3)	Proportion of OpEx (4)	Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)							Taxonomy-aligned proportion of OpEx year N (18)	Taxonomy-aligned proportion of OpEx year N-1 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)	
				Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)					
		MSEK	%	%	%	%	%	%	%	%	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Percent	Percent	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																					
A.1. Environmentally sustainable activities (taxonomy-aligned)																					
7.7 Acquisition and ownership of buildings	7.7	2	2%									Yes					Yes	2%			
7.3: Installation, maintenance and repair of energy-efficient equipment	7.3	4	3%									Yes					Yes	3%			
7.5: Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	7.5	1	1%									Yes					Yes	1%			
OpEx for environmentally sustainable activities (taxonomy-aligned) (A.1)		7	5%															5%			
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned)																					
7.7 Acquisition and ownership of buildings	7.7	126	95%																		
OpEx for taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned) (A.2)		126	95%															95%			
Total (A.1 + A.2)		134	100%															100%			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																					
OpEx for taxonomy-non-eligible activities (B)		0	0%																		
Total (A + B)		134	100%																		

A.1 Environmentally sustainable (taxonomy-aligned) activities:

Refers to taxonomy-aligned economic activities that meet the technical criteria applicable to Pandox's investment properties and operating properties. Point 7.7 refers only to OpEx for properties with an energy rating of EPC B with an approved climate risk assessment.

A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned):

7.7: MSEK 49 of which is OpEx within Property Management and is included in the item "Costs, Property Management" in the consolidated income statement. MSEK 77 of which is OpEx in Operator Activities and is included in the item "Costs, Operator Activities" in the consolidated income statement.

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S.6. ENERGY

Pandox is reporting measured energy consumption for 113 out of the total of 157 properties for 2022. The table "Pandox's energy consumption within Operator Activities and HQ" presents data for the 19 properties Pandox operates as well as the head office. The table "Tenants' energy consumption within Property Management" shows the energy consumption downstream in the value chain for tenants in the Property Management segment. Measured data from 94 of 137 properties is included. A standard calculation is made for 43 properties. Of the hotels reporting data to Pandox within Property Management, the majority are located in the Nordic region where electricity and district heating production generate lower emissions than where these are produced in countries outside the Nordics. Read more about Pandox's energy work on page 63.

The total measured energy consumption was 325 MWh and the average energy intensity was 207 (200) kWh/sq m. Including standard data and degree-day correction, energy consumption was 451 MWh with an energy intensity of 217 (194) kWh/sq m. Total energy consumption increased in 2022 compared with 2021 due to higher occupancy at hotels as a result of eased restrictions following the pandemic. Energy intensity was 231 (214) kWh/sq m within Operator Activities and 214 (189) kWh/sq m within Property Management. Energy intensity per guest night for the whole property portfolio was 42 (62) kWh/guest night. Renewable energy accounted for 41 (41) percent of total measured energy consumption in 2022 for the entire Pandox property portfolio. This includes energy sources such as wind power, hydropower and solar energy. Fuel includes gas, pellets and fuel oil. Six hotels produce their own electricity, which amounted to 1,575 (1,045) MWh in 2022.

Description of the standard calculation method

Pandox reports standard calculations for values at properties leased to tenants within Property Management where the Company has no measured data for these. Read more about the reason for this in Sustainability Note 1. Standard calculations are made multiplying energy intensity (kWh/sq m) for properties in Property Management that have measured data 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 the 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		
	2022	2021	2020	2022	2021	2020	2022	2021	2020
Fuel	3,573	2,612	2,020	24,867	25,469	22,810	28,440	28,081	24,830
Electricity	31,321	36,033	22,130	5,377	6,094	6,507	36,698	42,127	28,637
– of which self-generated electricity							1,575	584	308
Heating	948	1,282	0	5,158	7,152	6,119	6,106	8,434	6,119
Cooling	3,323	136	0	3,107	3,877	4,579	6,430	4,013	4,579
Total energy consumption	39,165	40,063	24,150	38,508	42,592	40,015	77,674	82,655	64,165
Total weather-normalised energy							85,817	81,475	62,980
Energy intensity, kWh/sq m							231	214	169

TENANTS' ENERGY CONSUMPTION WITHIN PROPERTY MANAGEMENT ²⁾

(MWh)	Renewable energy ³⁾			Non-renewable energy			Total		
	2022	2021	2020	2022	2021	2020	2022	2021	2020
Fuel	0	2,067	100	26,023	19,616	18,139	26,023	21,683	18,239
Electricity	89,854	82,566	83,847	28,120	24,491	22,205	117,975	107,057	106,052
Heating	5,591	5,213	0	93,718	93,010	94,595	99,309	98,223	94,595
Cooling	53	71	0	4,166	4,042	3,629	4,219	4,113	3,629
Energy consumption (from properties with measured data)	95,499	89,917	83,947	152,027	141,159	138,568	247,525	231,076	222,515
Weather-normalised							256,028	223,235	200,317
Energy intensity, kWh/sq m (measured data)							214	189	174
Standard calculation of energy consumption for properties with no measured data ²⁾							109,367	97,828	–
Total energy consumption							365,395	328,904	–
Total energy intensity for Operator Activities and Property Management, kWh/sq m							217	194	–

¹⁾ The data covers Pandox's own operations, i.e. 19 of 20 hotels in Operator Activities and the Pandox head office. There is no data for DoubleTree by Hilton Bath, UK as it was acquired in autumn 2022 and is included in the segment as of 1 January 2023. Within Property Management one hotel property that houses Mora Hotell & Spa in Sweden was divested in spring 2022. 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 372,134 sq m. Self-generated electricity and heat production comes from solar panels, solar collectors and local combined heat and power plants (CHP). No energy produced internally is sold.

²⁾ This table presents energy consumption downstream in the value chain, i.e. among tenants who are responsible for operating hotel properties in Pandox's Property Management segment. 94 out of a total of 137 properties reported actual measured data for 2022, including all of the Scandic hotels. Actual measured data for 2021 included 93 hotels and data for 2020 included 94 hotels. The increase in energy consumption from 2021 to 2022 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. Hotel Pomander was closed during the year and is not included in the standard calculation. For a description of the standard calculation method, see Sustainability Note 6 above.

³⁾ The total percentage of renewable electricity was 76 (77) percent due to the fact that many operators signed renewable energy agreements.

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S.7. CLIMATE

GHG EMISSIONS

Pandox reports GHG emissions for all 157 (157) properties. Of these, Pandox received measured data from 113 properties. A standard calculation has been used for 43 properties. There is no data for Hotel Pomander which was closed and is not included in the standard calculation. Read more about this under the table.

Direct emissions in Scope 1 and 2 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 2 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.

Pandox's total direct GHG emissions in Scope 1 and 2 amounted to 8,708 (8,478) metric tons of CO₂e in 2022, which is an increase of 2.7 percent. This includes emissions from 19 of 20 hotels in Pandox's Operator Activities segment and the head office. The previously reported Scope 1 emissions for 2021 have been updated as missing natural gas data has been added.

Emission intensity based on the direct emissions amounted to 23 (23) kg CO₂e per sq m. The calculation is based on a floor space of 372,134 square metres, which does not include DoubleTree by Hilton Bath in the UK, for which no data was reported for 2022.

Indirect Scope 3 emissions

Upstream in the value chain

The most material Scope 3 emissions upstream in Pandox's value chain come from purchased goods, materials and services which amounted to 18,231 (19,230) metric tons of CO₂e, and emissions from purchased capital goods which amounted to 9,978 (19,839) metric tons of CO₂e.

In 2022 the Swedish Environmental Research Institute (IVL) analysed and quality-assured emissions data in connection with the preparations for setting science-based targets. The 2021 spend analysis was also verified at the same time. It emerged that some flows had been counted twice, by being included both in the spend analysis and in the lifecycle analysis used to calculate capital goods. The renovations category was therefore not included in the spend analysis for 2022.

A technical error in exporting emissions data from the 2021 spend analysis was also discovered. This resulted in Pandox reporting incorrect Scope 3 emissions for 2021 in the purchased goods and services category in the 2021 Annual Report. Pandox reported higher emissions than actually originated from the Company. The total figure for this element of Scope 3 emissions in 2021 has therefore been revised from 26,656 metric tons of CO₂e to the correct figure of 19,230 metric tons of CO₂e in the 2022 Annual Report.

The following GHG Protocol Scope 3 categories were analysed using the spend method: purchased goods, materials and services, and waste generated in operations.

GHG emissions from Pandox's own business travel amounted to 388 (325) metric tons of CO₂e in 2022. Business travel is therefore not considered a significant emissions category. Pandox will, however, continue to internally measure and monitor this item annually in order to take steps if business travel should increase.

Downstream in the value chain

IVL has checked and provided proposals for updated and more specific emission factors. Based on this, the emissions for 2021 have been revised, resulting in higher emissions in Scope 3. Emissions downstream in the value chain are emissions from tenants operating and heating hotels, which is the single largest emissions category. The emissions amounted to 60,046 (59,812) ton CO₂e and are reported in the GHG Protocol category of downstream leased assets. 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 average energy intensity per square metre for the properties that have measured data, multiplied by the floor space in square metres of the properties with no measured data, to then be multiplied by each country's average emission factor.

Base year and comparability

The table shows GHG emissions for the years 2022, 2021 and 2020. 2021 is used as the base year for Pandox's GHG emissions in Scope 1 and 2. Collection and calculation methods for these emissions are comparable year-on-year as the data quality is good. On the other hand, it is not possible to fully compare Scope 3 emissions year-on-year as Pandox has been developing and improving its data collection on an ongoing basis and has added more Scope 3 categories. In addition, emission factors have been updated to reflect the energy mix used each year. Pandox is also always working to gain access to actual data to gradually replace the standard data. This is part of Pandox's endeavour to have as accurate a picture of the actual situation as possible.

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PANDOX'S GHG EMISSIONS

(metric tons CO ₂ e)	2022	2021	2020	Method in 2022
Scope 1 emissions	5,825	5,636	4,276	Actual energy data ¹⁾
Scope 2 emissions (market-based)	2,883	2,843	3,703	Actual energy data – market-based ¹⁾
Scope 2 emissions (location-based)	7,350	6,248	7,571	Actual energy data – location-based ¹⁾
Total emissions Scope 1 and 2 (market-based)	8,708	8,478	7,979	Actual energy data – market-based ¹⁾
Total emissions Scope 1 and 2 (location-based)	13,175	11,884	11,847	Actual energy data – location-based ¹⁾
Change, % (market-based)	+2.7%	+6.3%	-8.4%	Actual energy data – market-based ¹⁾
Change, metric tons CO ₂ e (market-based)	+230	+499	-728	Actual energy data – location-based ¹⁾
Material Scope 3 emissions ²⁾				
1. Purchased goods and services	18,231	19,230	93,000	Spend-based ³⁾
2. Capital goods	9,978	19,839	6,000	
– of which new construction, retrofit, renovation of properties	9,978	19,839	N/A	LCA-based standard calculation ⁴⁾
3. Upstream production of fuel and energy	2,265	2,166	1,209	Actual data
5. Waste generated in operations	475	563	4,000	Spend-based ³⁾
13. Downstream leased assets	60,046	59,812	30,586	
– of which based on measured data from tenants	32,420	30,389	30,586	Actual energy data ¹⁾
– of which standard calculations for other tenants	27,626	29,423	N/A	Energy-based standard calculation ⁵⁾
Total emissions Scope 3	90,995	101,610	134,795	
Total emissions Scope 1, 2 and 3 (market-based)	99,703	110,088	142,774	
Total emissions Scope 1, 2 and 3 (location-based)	104,170	113,494	146,642	

¹⁾ 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. Reported Scope 1 and 2 emissions are based on reported energy usage. 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 EPD (origin-labelled electricity and Bra miljöväl). Fuels (coal, oil, natural gas, pellets, wood chips, biogas, bio oil): Swedenergy, 2019. Petrol: Swedish Energy Agency Fuel Act, 2019 (well to tank), 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.

²⁾ 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 or do not occur in Pandox's value chain: 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, materials 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, retrofit and renovation of properties – includes Scope 3 emissions from the building stage (A1–A5).

³⁾ 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.

⁴⁾ This includes GHG emissions from the product stage and building stage (A1–A5) for construction projects, large retrofit projects and hotel renovations carried out. Standard calculations have been used for the emissions, based on lifecycle analysis completed in 2021 and revisions made in 2022 for one new construction project, one larger retrofit 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 345 kg CO₂e/sq m for the construction project, 149 kg CO₂e/sq m for the retrofit project and 32 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 2022.

⁵⁾ 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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CLIMATE ADAPTATION OF BUILDINGS

Climate adaptation of buildings was identified as a material sustainability topic for Pandox in autumn 2021. In 2022 the Company started collecting, analysing and reporting the results of its work on climate risk assessment of the property portfolio and steps taken to adapt the properties for a changed climate. Pandox has also conducted site visits to validate data for two of the properties that have a high to very high flood risk. The key ratios below were reported for 2022 but as this process progresses, new key ratios will start to be used.

Pandox has been able to carry out a desktop analysis of the climate-related risks and opportunities in the property portfolio through a climate tool recently purchased from the Company's insurance broker. All properties that Pandox owns are including in the reporting process. Read more about Pandox's targets, management of climate-related risks and opportunities as well as climate adaptation work on page 62.

Results of climate risk assessment for the property portfolio

Key ratios	Outcome 2022
Properties for which desktop analysis has been carried out as a percentage of total properties	100%
Number of properties for which desktop analysis of climate-related risks has been carried out during the year	157
Number of properties at which site inspections have been carried out during the year	2
Number of properties for which climate adaptation action plans have been produced	2

CLIMATE RISKS AND OPPORTUNITIES

Long-term climate risks and opportunities

In 2021 Pandox held a workshop for the executive management team on climate change and the Task Force on Climate-Related Financial Disclosures (TCFD). At the workshop an initial climate scenario analysis was carried out for 2050 to identify long-term climate-related risks and opportunities, and how these would impact the Company. The purpose of the scenario analysis was to prepare the Company's strategies, operations, properties and finances for various potential future climate scenarios. Pandox used the scenario analysis methods recommended by the TCFD.

Two climate scenarios were analysed – a worst case scenario where the world fails to transform, emissions continue to increase and the physical risks associated with climate change become a reality, and a best case scenario where the world successfully collaborates, transforms societies and meets the Paris Agreement's 1.5 degree target. Read more about the results on the next page. To read the descriptions of the world in 2050 in each of the climate scenarios, see Pandox's 2021 Annual Report, pages 44–45.

Pandox's assessment is that the climate scenarios produced in 2021 still apply. Climate-related events in the world in 2022 – such as increased flooding, landslides, fish die-off in Germany that may be associated with river warming – combined with an energy shortage made worse by the war in Ukraine and its associated effects have only increased the focus on the future climate and how Pandox will be impacted by it.

Short-term climate risk

Short-term climate-related risks are identified and assessed as part of Pandox's annual risk assessment process. The short-term climate risks are presented on page 128 and 133 in this Annual Report.

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Results of climate scenario analysis for 2050

The climate scenario analysis carried out in 2021 identified the climate risks and opportunities below, and the impact on the Company. The physical risks identified are the same in nature in both of the scenarios analysed and are therefore combined in the descriptions. The physical climate risks will, however, occur more often and have more serious consequences in the worse case scenario than in the best case scenario.

Worst case scenario in 2050 (IPCC scenario RCP 8.5) ¹⁾	Best case scenario in 2050 (IPCC scenario RCP 1.9) ¹⁾
<p>Physical climate risks (acute and chronic)</p> <ul style="list-style-type: none"> • 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. • Higher temperatures and more heatwaves may mean an increased need for ventilation and cooling in properties, and certain properties will lack the ventilation and cooling required. This could lead to an inferior indoor climate for guests and employees. • Higher temperatures and more heatwaves could result in water shortages. • Shortages of natural resources, water, materials and raw materials needed for operations, construction and renovation may arise. 	
<p>Transition risk</p> <ul style="list-style-type: none"> • 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. <p>Opportunities</p> <ul style="list-style-type: none"> • 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. 	<p>Transition risk</p> <ul style="list-style-type: none"> • Political decisions, taxes and regulations are introduced regarding GHG emissions and transformation. • International travel patterns, modes of transport and transport systems change. The travel taking place is fossil-free and more regional. 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 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. • Some properties may not meet new demands from tenants and society, or it may be too expensive to transform. • Shortages of natural resources, raw materials and energy may arise, resulting in more expensive input goods. • The electrification of society may create a power shortage. <p>Opportunities</p> <ul style="list-style-type: none"> • Develop the hotel properties in line with upcoming requirements to remain an attractive property owner. • Reduce the amount of energy needed by having climate-adapted and resource-efficient properties. • 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 or have significant potential. • Produce renewable electricity using solar panels. 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 to reduce climate emissions together. • Use materials and resources more efficiently by focusing on recycling and reuse.
<p>Potential financial impact</p> <ul style="list-style-type: none"> • Increased operating costs for insurance, administration, operations, 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. <p>Potential impact on strategy and operations</p> <ul style="list-style-type: none"> • 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. 	<p>Potential financial impact</p> <ul style="list-style-type: none"> • 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 remodel. • Increased revenue and rising value of properties if Pandox can offer tenants climate-adapted hotel properties. <p>Potential impact on strategy and operations</p> <ul style="list-style-type: none"> • The property portfolio needs to be transformed to increase the number of new buildings, remodels 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.

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¹⁾ To read the descriptions of the world in 2050 in each of the climate scenarios, see Pandox's 2021 Annual Report, pages 44–45.

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Indicators and sensitivity analysis for potential financial impact

Based on the recommendations in the TCFD framework, in 2022 Pandox started to use sensitivity analysis to monitor development of identified climate-related risks and opportunities, and to further demonstrate to stakeholders how a changed climate could potentially impact Pandox's financial position, strategies and operations.

Indicators and sensitivity analyses are presented in the matrix below.

	Risk/Opportunity	Indicator	Sensitivity analysis	Financial impact	Management
Physical risk	Higher electricity consumption due to increased ventilation, cooling etc.	Total electricity consumption per year (MWh)	Total electricity consumption increases by 10% compared with 2022	Electricity consumption increases by 3,600 MWh in Pandox-operated hotels/properties	<ul style="list-style-type: none"> • Energy-efficiency improvement. • Investments in renewable energy, solar energy, geothermal heating, natural cooling etc. • Action plans produced for properties with a high or very high risk rating • Projects to improve water consumption efficiency • Increased focus on reusing materials in construction projects
	Higher electricity costs resulting from shortages, regulations, taxes etc.	Total energy cost per year (MSEK)	Cost of electricity consumption increases by 50% compared with 2021	Electricity costs increase by MSEK 30, equivalent to 1% of operating surplus in 2022	
	Higher insurance premiums for properties with a high or very high risk rating	Cost of insurance per sq m (portfolio average)	Insurance costs increase by 25% compared with 2021 in properties with a high or very high risk rating	MSEK 2 increase in total insurance costs	
	Higher water costs	Total cost for water consumption (MSEK)	Cost of water consumption increases by 50% compared with 2021	MSEK 6 increase in water costs	
	Higher costs for building materials	Quantity of materials for tenant adaptations/retrofit (metric tons)	Cost of materials for tenant adaptations/remodeling increases by SEK 1,000/metric ton	MSEK 45 increase in construction costs	
Transition risk	Decrease in value of buildings without environmental certification	Proportion of environmentally certified buildings	Decrease in market value of buildings without environmental certification	Reduced property value may have an impact on multiple factors, such as loan-to-value ratio and/or rents.	• Environmental certification of the property portfolio
	Regulations require large investments in climate-smart technology	Cost of climate-related adaptations for the properties (MSEK)	Cost of preventive climate-adapted solutions increases by 25% compared with 2021	MSEK 7 increase in climate adaptation costs compared with 2021	• Ongoing need to choose the best available techniques (BAT) in retrofit
Opportunities	Increase in value of environmentally certified buildings	Proportion of existing Pandox-operated buildings with environmental certification (12)	Market value of environmentally certified hotels increases by 10%	1% increase in property value	• Environmental certification of the property portfolio and included in due diligence ahead of acquisitions
	Reduced energy costs through a higher proportion of energy produced internally	Proportion of energy produced internally within the property portfolio (%)	Electricity produced internally increases by an additional 5 percentage points compared with 2022	MSEK 2.3 reduction in energy costs, equivalent to 4% of total energy costs in 2022	<ul style="list-style-type: none"> • Investments in renewable energy • Energy efficiency improvements

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S.8. WATER

Pandox's total water consumption for the entire property portfolio in 2022 was 1,892,54 cu m (1,460,953 cu m) and the average water intensity was 90 litres/sq m. The reported water consumption for which Pandox has received measured data covers 112 (113) of the total of 157 (157) properties. Standard calculations were made for the properties with no measured data.

Total water consumption increased as a consequence of increased guest occupancy due to eased restrictions after the pandemic. Water intensity per guest night decreased as a consequence of projects to reduce water consumption as the green investment programme started to yield results. Read more about the green investment programme on page 64.

In 2022 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 have a water shortage, i.e. where water demand is much greater than the supply ²⁾.

[🔗 Read more about Pandox's work on water consumption on page 65.](#)

PANDOX'S WATER CONSUMPTION WITHIN OPERATOR ACTIVITIES AND HQ¹⁾

(m ³)	2022	2021	2020
Total water consumption	322,179	233,667	227,226
– of which water consumption in water-stressed areas ²⁾	124,776	68,552	74,667
Water intensity, litres/sq m	866	615	611
Water intensity, litres/guest night	215	304 ³⁾	389

- ¹⁾ The water consumption data covers the Pandox head office and Pandox's 19 hotels in Operator Activities. There is no data for DoubleTree by Hilton Bath which was acquired in autumn 2022.
- 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.
- ³⁾ There was a reporting error in the number of guest nights in 2021 and this has been revised. As a result the figure stated here is lower than in the previous Annual Report.

TENANTS' WATER CONSUMPTION IN PROPERTY MANAGEMENT ¹⁾

(m ³)	2022	2021	2020
Water consumption from properties with measured data ¹⁾	1,134,246	814,380	803,799
Water consumption from properties using standard calculations ²⁾	436,117	412,906	N/A
Total water consumption	1,570,363	1,227,286	803,799
– of which water consumption in water-stressed areas ³⁾	30,535	17,595	11,426
Water intensity, litres/sq m	918	723	705
Water intensity, litres/guest night ⁴⁾	184	311	246

- ¹⁾ The water consumption data is based on measured data reported by tenants covering 93 (87) of the total of 137 (137) properties in Property Management.
- ²⁾ The water consumption data based on the standard calculation is for 43 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.
- ⁴⁾ The data calculation is based on 84 hotels that have reported both water consumption and guest nights.

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S.9. WASTE

The volume of waste increased in 2022 compared with 2021 as a consequence of higher hotel occupancy. The data for waste generated in 2022 is for 19 (19) of the 20 (20) hotels in Operator Activities and for the Pandox head office. In Property Management the corresponding figure was 85 (86) of 137 (137) hotels.

In 2022 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 66.](#)

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

(metric tons)	2022		2021		2020	
Disposal method ²⁾	Non-hazardous waste	Hazardous waste	Non-hazardous waste	Hazardous waste	Non-hazardous waste	Hazardous waste
Reuse	21	0	113	0	0	0
Recycling	762	7	641	0.7	540	1.4
Composting	297	0	18	0	31	0
Energy recovery	249	0	171	5.6	372	0
Incineration	55	2	9	0	0	0
Landfill	170	0	60	0	333	0
Other/Unknown	0	7	377	0.2	0	0
Total volume of waste	1,554	16	1,389	6.5	1,276	1.4

¹⁾ The data for waste generated in 2022 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 one property acquired in 2022. Hazardous waste for energy recycling consists of wastewater residuals.

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

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

(metric tons)	2022		2021	
Disposal method ²⁾	Non-hazardous waste	Hazardous waste	Non-hazardous waste	Hazardous waste
Reuse	48	0	27	0
Recycling	507	0	788	8
Composting	283	1	16	0
Energy recovery	423	11	737	0
Incineration	18	3	107	0
Landfill	75	1	19	1
Other/Unknown	1,969	9	1,595	3
Total volume of waste	3,323	25	3,289	12

¹⁾ Measurement started in 2021. Data for waste generated in 2022 is for 85 (86) of 137 (137) hotels in Property Management.

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

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S.10. 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 end of the year 12 properties were certified at the Very Good level. An additional four properties are expected to be certified in 2023.

Within Pandox's Operator Activities 90 (100) percent of the hotels also have sustainability-certified hotel operations. The reduction is due to the fact that one hotel lost its Green Key certification and is in the process of renewing it, and that a recently acquired hotel is not certified.

Within Property Management 74 (63) percent of the tenants have obtained environmental certification for their hotel operations.

[Read more about Pandox's work on certification on page 69.](#)

SUSTAINABILITY-CERTIFIED PROPERTIES ¹⁾

Pandox properties	Total number of BREEAM-certified properties		
	2022	2021	2020
Number of certified properties	13	6	3
Certified area, sq m	234,363	74,178	44,833
Percentage of certified properties in Operator Activities, % ²⁾	60%	25%	15%
Certified properties as a percentage of all properties, %	8%	4%	2%

¹⁾ Data showing the number of Pandox-owned hotel properties that are certified to BREEAM In-Use. 12 of the properties are in the Operator Activities segment and one property is 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 for 2022				
	Number of certified hotels			Type of certification				
	2022	2021 ²⁾	2020	Nordic Swan	Green Key	ISO 14001	Green Tourism	Other
Number of certified hotels	120	126	129	46	26	16	23	32 ³⁾
Certified area, sq m	1,675,472	1,720,839	1,700,822	575,705	510,400	179,816	96,678	577,941 ⁴⁾
Percentage of certified hotels in Operator Activities, %	90%	100%	100%	0%	75%	5%	10%	45%
Percentage of certified hotels in Property Management, %	74%	77%	82%	36%	8%	11%	15%	9%
Certified hotels as a percentage of all properties, %	76%	80%	83%	29%	17%	10%	15%	15%

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 number of certified hotels has decreased in the Property Management segment where certifications for the hotels have not been renewed. 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. For an overview of the hotels' sustainability certifications, see the list of hotel properties on pages 50–54.

²⁾ Correction of data from one of the major tenants in the 2021 figures, which stated a higher number of certified hotels.

³⁾ Total number of other certifications, regardless of whether the hotel has other certifications.

⁴⁾ Floor space covered by all certifications, regardless of whether the hotel has other certifications.

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S.1.1. EMPLOYEES

All employee data is reported as number of employees as of 31 December 2022. 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.

The number of employees increased by 320 (8) in 2022. This is mainly due to a pent-up need to recruit after the pandemic when many employees were furloughed. In 2021, 855 employees were furloughed and 1,034 were furloughed in 2020.

The number of people not employed by Pandox but who work within the organisation amounted to 146 (119) at the end of 2022, reported as head counts.

[Read more about Pandox as an employer on pages 76–78.](#)

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

	2022			2021			2020 ¹⁾		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Permanent employment	877	877	1,754	737	743	1,480	719	752	1,471
Temporary employment	61	65	126	38	42	80	47	34	81
Total	938	942	1,880	775	785	1,560	766	786	1,552
Full-time	709	772	1,481	581	674	1,255	618	709	1,327
Part-time	229	170	399	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)

	2022			2021			2020 ¹⁾		
	Permanent employment	Temporary employment	Total	Permanent employment	Temporary employment	Total	Permanent employment	Temporary employment	Total
Nordics	102	5	107	81	6	87	84	2	86
Europe	1,142	121	1,263	990	74	1,064	940	79	1,019
Canada	510	0	510	409	0	409	447	0	447
Total	1,754	126	1,880	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. 50 percent of the total number of employees in 2022 were women and 50 percent 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 2022 this number was in line with previous years. The percentage of women in the executive management team decreased from 40 percent in 2021 to 30 percent in 2022. The reason is that Pandox's Senior Vice President, General Counsel left the Company during the year.

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

In 2022 a diversity and inclusion workshop was held with representatives from the executive management team and key individuals from Pandox-operated hotels. The purpose was to create an understanding of the fundamentals of diversity and inclusion, and to agree at a strategic level on a vision, ambition and motivations associated with Pandox's efforts in these areas.

[Read more about Pandox's diversity and gender equality work on page 78.](#)

GENDER DISTRIBUTION BY EMPLOYMENT CATEGORY

	2022			2021			2020 ¹⁾		
	Total number	Gender distribution,%		Total number	Gender distribution,%		Total number	Gender distribution,%	
		Women	Men		Women	Men		Women	Men
Board of Directors	6	33%	67%	6	33%	67%	6	33%	67%
Executive management team	10	30%	70%	10	40%	60%	9	22%	78%
Operator Activities									
Senior management	69	41%	59%	66	39%	61%	52	38%	62%
Middle management	165	53%	57%	154	47%	53%	144	49%	51%
Hotel employees	1,596	50%	50%	1,290	51%	49%	1,306	50%	50%
Property Management									
Senior management	3	0% ²⁾	100%	3	0% ²⁾	100%	3	0% ²⁾	100%
Middle management	1	100%	0% ²⁾	1	0% ²⁾	100%	3	0% ²⁾	100%
Other administrative employees	7	29%	71%	10	20%	80%	9	22%	78%
Head office									
Middle management	2	50%	50%	4	50%	50%	4	75%	25%
Other head office employees	27	52%	48%	22	59%	41%	22	64%	36%
Total within Pandox (excl. Board)	1,880	50%	50%	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).

²⁾ The percentage is based on a small number of employees.

►► Note S.11., cont.

AGE DISTRIBUTION BY EMPLOYMENT CATEGORY

	2022				2021				2020 ¹⁾			
	Total number	Distribution by age group, %			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		<30 years	30-50 years	>50 years
Board of Directors	6	0%	50%	50%	6	0%	50%	50%	6	0%	50%	50%
Executive management team	10	0%	30%	70%	10	0%	20%	80%	9	0%	22%	78%
Operator Activities												
Senior management	69	5%	59%	36%	66	6%	61%	33%	52	4%	65%	31%
Middle management	165	21%	64%	15%	154	22%	58%	20%	144	18%	65%	17%
Hotel employees	1,596	29%	42%	29%	1,290	24%	45%	31%	1,306	20%	48%	32%
Property Management												
Senior management	3	0%	100%	0%	3	0%	100%	0%	3	0%	100%	0%
Middle management	1	0%	100%	0%	1	0%	100%	0%	3	0%	67%	33%
Other administrative employees	7	0%	29%	71%	10	30%	20%	50%	9	11%	22%	67%
Head office												
Middle management	2	0%	50%	50%	4	0%	50%	50%	4	0%	75%	25%
Other head office employees	27	19%	74%	7%	22	9%	86%	5%	22	23%	72%	5%
Total within Pandox (excl. Board)	1,880	27%	45%	28%	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

In 2022 the number of new employees and rate of employee turnover were high in the age category <30. 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.

Employee turnover during the year was significantly higher than normal and is mainly due to need that has existed for some time to reorganise certain parts of the Company to meet new demands. Due to the pandemic there have been limited opportunities for organisational planning over the past three years and more leadership changes than normal have happened to fall at the same time. Employees have in turn also had time to reflect on their future career choices and some have retrained for other occupations.

🔗 [Read more about Pandox as an employer on pages 76–78.](#)

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

	2022				2021				2020			
	New employees, %		Employee turnover, %		New employees, %		Employee turnover, %		New employees, %		Employee turnover, %	
	Number	Share, % ²⁾	Number	Share, % ³⁾	Number	Share, % ²⁾	Number	Share, % ³⁾	Number	Share, % ²⁾	Number	Share, % ³⁾
Key ratios for different groups:												
Women	506	54%	394	42%	180	23%	241	31%	37	5%	289	38%
Men	456	48%	389	41%	179	23%	215	27%	41	5%	361	37%
Age <30	555	110%	385	76%	214	60%	203	57%	40	13%	239	79%
Age 30–50	326	39%	315	37%	119	16%	190	26%	30	4%	268	34%
Age >50	81	15%	83	16%	26	5%	63	13%	8	2%	143	30%
Nordics	34	32%	26	24%	17	20%	22	25%	13	15%	26	31%
Europe	661	52%	489	39%	245	23%	308	29%	59	6%	526	52%
Canada	267	52%	268	53%	97	24%	126	31%	6	1%	98	22%
Total within Pandox	962	51%	783	42%	359	23%	456	29%	78	5%	650	42%

¹⁾ In the 2021 Annual Report Pandox 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 2022, for example, 555 individuals under the age of 30 were recruited, which represents 110 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

As a consequence of major recruitment at the head office, within Property Management and Operator Activities, not all employees had performance and career development reviews in 2022. New recruits who did not have a performance and career development review in 2022 will instead have their first one in 2023.

Pandox's goal is to ensure that every employee is given the opportunity to develop through training. The average number of hours of training per employee during the year was 10 hours.

🔗 [Read more about Pandox as an employer on pages 76–78.](#)

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

Employment category	2022			2021			2020		
	Percentage			Percentage			Percentage		
	Total	Women	Men	Total	Women	Men	Total	Women	Men
Key ratios for different groups:									
Executive management team	78%	100%	67%	89%	75%	100%	100%	100%	100%
Operator Activities									
Senior management	59%	54%	63%	94%	100%	88%	97%	100%	94%
Middle management	74%	74%	74%	77%	85%	71%	60%	66%	54%
Other hotel employees	48%	52%	45%	52%	52%	53%	34%	37%	31%
Property Management									
Senior management	100%	-	100%	100%	-	100%	100%	-	100%
Middle management	0%	0% ²⁾	-	100%	-	100%	67%	-	67%
Other administrative employees	86%	50%	100%	100%	100%	100%	100%	100%	100%
Head office									
Middle management	100%	100%	100%	100%	100%	100%	100%	100%	100%
Other head office employees	85%	100%	69%	91%	85%	100%	100%	100%	100%
Total within Pandox	53%	56%	50%	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 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.

²⁾ There is only one (1) employee in this category, which has a significant effect on the percentage.

AVERAGE HOURS OF TRAINING PER EMPLOYEE¹⁾

Employment category	2022			2021		
	Average number of hours			Average number of hours		
	Total	Women	Men	Total	Women	Men
Key ratios for different groups:						
Executive management team	6	0	8	9	11	8
Operator Activities						
Senior management	16	19	15	20	28	15
Middle management	17	16	18	13	13	13
Other hotel employees	9	7	10	7	7	8
Property Management						
Senior management	0	0	0	2	0	2
Middle management	0	0	0	5	0	5
Other administrative employees	3	1	4	14	3	17
Head office						
Middle management	14	27	0	11	17	5
Other head office employees	10	5	16	6	4	9
Average number of training hours within Pandox	10	9	11	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. There is a Director of HR at the head office responsible for the employee survey process, the Code of Conduct for employees, and social data.

Most of the employees work within Pandox's Operator Activities business segment. 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 someone does not want 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 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 page 78.

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 our 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 to determine if there is anything to be learnt as a building proprietor or client 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 2022 there were 67 (13) work-related accidents within Operator Activities. The increase can be explained in part by the fact that the reporting system has become more established and in part by an increased percentage of new recruits. The injuries that occurred were isolated falling accidents and cuts. There were no deaths, accidents, injuries or incidents during the year among the employees at the head office, within Property Management or among contractors brought in.

The most common risks in the hotel and restaurant industry are stress injuries due to heavy lifting, falls (for example, due 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. During the year nine cases of work-related ill health were reported to Pandox. This is explained by the increased number of hours worked because of furloughed employees returning to work and the fact that it is still hard to fill all the vacancies.

Sickness absence

Sickness absence reduced in 2022 to 5.7 percent (7.0 percent). This is partly due to the large number of new recruits joining the company during the year. In

addition, employees who were isolated at home for a long period due to pandemic restrictions in Europe were able to return to work and thus also a social context.

🔗 Read more about Pandox's work on health and safety on page 78.

WORK-RELATED ILL HEALTH ¹⁾	Number		
	2022	2021	2020
Employees			
Deaths as a result of work-related ill health	0	0	0
Reported work-related ill health	9	0	0
Subcontractors			
Deaths as a result of work-related ill health	0	0	0
Reported work-related ill health	0	0	0

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

SICKNESS ABSENCE BY SEGMENT ¹⁾	Sickness absence, %		
	2022	2021	2020
All types of sickness, ill health or injuries			
Operator Activities	5.9%	7.1%	7.0%
Property Management	0.7%	0.3%	1.9%
Head office	0.5%	0.2%	0.7%
Total	5.7%	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⁾	2022		2021		2020	
	Number	Rate of deaths/accidents	Number	Rate of deaths/accidents	Number	Rate of deaths/accidents
Employees						
Fatalities resulting from work-related injuries	0	0	0	0.00	0	0.00
Serious work-related injuries (excl. fatalities)	1	0.97	0	0.00	1	0.18
Reported work-related injuries	67	6.51	13	2.05	12	2.19
Subcontractors						
Fatalities resulting from work-related injuries	0	0	0	0.00	0	0.00
Serious work-related injuries (excl. fatalities)	0	0	0	0.00	0	0.00
Reported work-related injuries	1	0.97	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 2,059,571 in 2022, to 1,270,306 in 2021 and to 1,095,650 in 2020 for the head office, Property Management and Operator Activities.

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S.12. ANTI-CORRUPTION

Pandox has zero tolerance for corruption, which is clearly stated in the Company's Anti-Corruption Policy. In 2022 there were 0 (0) cases of corruption.

📖 Read more in the chapter "Responsible and fair business" on page 70.

NUMBER OF CASES OF CORRUPTION

	2022	2021	2020
Total number of cases of corruption	0	0	2
– of which cases where an employee was dismissed due to corruption	0	0	1
– of which cases where contracts with business partners were terminated or not extended due to corruption	0	0	1
– of which the number of legal cases regarding corruption filed against the Company or our employees	0	0	0

S.13. SUPPLIERS

Pandox has developed its process for screening new and recurring suppliers with the help of a new user-friendly system in 2023. New and regular suppliers in the construction industry that have not been audited previously within Property Management are audited over a certain annual minimum contract amount. A total of 48 suppliers were audited in 2022.

New suppliers:

These are initially screened against sanction lists and their existence verified. If suppliers receive a red rating at this stage the relationship is discontinued. Those with a yellow or green rating are subject to an internal risk assessment based on sector, country, annual purchasing amount and contract length. Companies that are red-rated at this stage are subsequently required to fill out a general digital self-assessment form to give Pandox a better basis for a decision. If they again receive a red rating in this step they are not to continue as Pandox suppliers. All of those audited received a yellow or green rating. The aim is to complete this process before a contract is signed.

Existing suppliers:

Within six months, companies receiving a yellow rating in the procurement stage above are to fill out a longer self-assessment form. Companies that have red-marked responses receive follow-up questions asking for more information and clarification. This can move a supplier to a yellow or green rating. This step also contributes to more in-depth dialogue and to the suppliers' development. In cases where the suppliers' responses still come up red, their services

are no longer to be used or the matter can be escalated to the newly formed purchasing council consisting of individuals from the executive management team. In specific cases an exemption may be granted, for example if there is only one supplier in the market. Each individual case is to be documented. No cases needed to be escalated in 2022. A total of 48 suppliers were audited in 2022. All of these received a rating of yellow or green.

As of 2023, 50 percent of the suppliers with a red rating in the final stage and where a construction project is under way will be audited through a site visit.

📖 Read more about Pandox's work with its suppliers on pages 72–73.

AUDIT OF EXISTING SUPPLIERS BASED ON ENVIRONMENTAL AND SOCIAL CRITERIA

	2022	2021	2020
Number of suppliers audited	48	82	2
Number of suppliers identified as having a significant negative impact ¹⁾	4	37	44
Suppliers with a negative impact where improvements have been agreed upon, % ²⁾	0%	0%	70%
Suppliers with a negative impact where the contract has been terminated as a result of the audit, % ²⁾	0%	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 impact on the environment.

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 2022 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.

S.14. GUESTS

In 2022 there were four incidents within the organisation in which a guest's health was negatively affected. These involved falling accidents and food allergies. There were no 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 74–75.

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

	2022	2021	2020
Total number of incidents where a guest's or visitor's health or safety was negatively affected on a visit to a Pandox hotel	0	1	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	4	1	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

	2022	2021	2020
Total number of data security breaches, such as stolen customer data	0	0	0
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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Statement of use This is Pandox's report in accordance with the GRI Standards for the period [reporting period start/end date].

GRI 1 Standard GRI 1: Foundation 2021

GRI Sector Standard No sector standard is available yet for Pandox's industry.

GRI Standard	Disclo- sure	Disclosure name	Page	Omissions		Principles of the UN Global Compact
				Requirement(s) omitted	Reason	
GENERAL DISCLOSURES						
GRI 2: General disclosures 2021	2-1	Organizational details	119			
	2-2	Entities included in the organization's sustainability reporting	81			
	2-3	Reporting period, frequency and contact point	81			
	2-4	Restatements of information	81, 95-96			
	2-5	External assurance	81			
	2-6	Activities, value chain and other business relationships	57, 81			
	2-7	Employees	103			
	2-8	Workers who are not employees	103			
	2-9	Governance structure and composition	119, 126-127			
	2-10	Nomination and selection of the highest governance body	123			
	2-11	Chair of the highest governance body	121, 126-127			
	2-12	Role of the highest governance body in overseeing the management of impacts	71, 82, 120-121			
	2-13	Delegation of responsibility for managing impacts	71, 82, 120			
	2-14	Role of the highest governance body in sustainability reporting	85			
	2-15	Conflicts of interest	Noncompliance			Processes are being developed to enable reporting in 2023.
2-16	Communication of critical concerns	70				
2-17	Collective knowledge of the highest governance body	119				
2-18	Evaluation of the performance of the highest governance body	Noncompliance			Processes are being developed to enable reporting in 2023.	
2-19	Remuneration policies	120-121				
2-20	Process to determine remuneration	120-121				
2-21	Annual total compensation ratio	119-120				
2-22	Statement on sustainable development strategy	9				
2-23	Policy commitments	9-10, 70-71, 86				
2-24	Embedding policy commitments	85-86				
2-25	Processes to remediate negative impacts	87-88				
2-26	Mechanisms for seeking advice and raising concerns	70, 86, 135				
2-27	Compliance with laws and regulations	70				
2-28	Membership associations	84				
2-29	Approach to stakeholder engagement	82-83				
2-30	Collective bargaining agreements	77				

No omissions are permitted or no sector-specific disclosures are available.

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					Omissions			Principles of the UN Global Compact
GRI Standard	Disclo- sure	Disclosure name	Page	Requirement(s) omitted	Reason	Explanation		
MATERIAL TOPICS								
GRI 3: Material topics 2021	3-1	Process to determine material topics	82-83					
	3-2	List of material topics	84					
ANTI-CORRUPTION								
GRI 3: Material topics 2021	3-3	Management of material topics	88					
GRI 205: Anti-corruption 2016	205-3	Confirmed incidents of corruption and actions taken	70, 109				10	
SUSTAINABLE MATERIALS								
GRI 3: Material topics 2021	3-3	Management of material topics	87					
GRI 301: Materials	301-1	Materials used by weight or volume	67				8	
ENERGY								
GRI 3: Material topics 2021	3-3	Management of material topics	87					
GRI 302: Energy 2016	302-1	Energy consumption within the organization	94				9	
	302-2	Energy consumption outside of the organization	94					
	302-3	Energy intensity	94					
WATER AND EFFLUENTS								
GRI 3: Material topics 2021	3-3	Management of material topics	87					
GRI 303: Water and Effluents 2018	303-1	Interactions with water as a shared resource	65, 100				8	
	303-2	Management of water discharge-related impacts		Pandox does as yet not report on 303-2.	Information not available/incomplete.	Work procedures will be created in the coming year.		
	303-5	Water consumption	100					
GHG EMISSIONS								
GRI 3: Material topics 2021	3-3	Management of material topics	87					
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	60, 96				7, 8, 9	
	305-2	Energy indirect (Scope 2) GHG emissions	60, 96					
	305-3	Other indirect (Scope 3) GHG emissions	60, 96					
	305-4	GHG emissions intensity	60					
CLIMATE ADAPTATION OF BUILDINGS								
GRI 3: Material topics 2021	3-3	Management of material topics	87					
<i>Company-specific disclosures:</i> Climate adaptation of properties	P-1	Percentage of properties evaluated for climate-related risks through desktop analysis	62				7	

No omissions are permitted or no sector-specific disclosures are available.

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					Omissions			Principles of the UN Global Compact
GRI Standard	Disclo- sure	Disclosure name	Page	Requirement(s) omitted	Reason	Explanation		
WASTE								
GRI 3: Material topics 2021	3-3	Management of material topics	87					
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	66, 101				7, 8	
	306-2	Management of significant waste-related impacts	66, 101					
	306-3	Waste generated	101					
SUPPLIER ENVIRONMENTAL ASSESSMENT								
GRI 3: Material topics 2021	3-3	Management of material topics	88					
GRI 308: Supplier environmental assessment 2016	308-2	Negative environmental impacts in the supply chain and actions taken	72-73, 109				7, 8	
SUSTAINABILITY CERTIFICATION								
GRI 3: Material topics 2021	3-3	Management of material topics	87					
<i>Company-specific disclosures:</i> Sustainability certification	P-2	Certified properties as a percentage of all properties	69, 102				7, 8, 9	
	P-3	Percentage of certified hotels in Property Management	69, 102					
EMPLOYMENT								
GRI 3: Material topics 2021	3-3	Management of material topics	88					
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	106				3, 6	
OCCUPATIONAL HEALTH AND SAFETY								
GRI 3: Material topics 2021	3-3	Management of material topics	88					
GRI 403: Occupational health and safety 2018	403-1	Occupational health and safety management system	78, 108				3, 6	
	403-2	Hazard identification, risk assessment, and incident investigation	78, 108					
	403-3	Occupational health services	78					
	403-4	Worker participation, consultation, and communication on occupational health and safety	78, 108					
	403-5	Worker training on occupational health and safety	78					
	403-6	Promotion of worker health	78					
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	78					
	403-9	Work-related injuries	108					
	403-10	Work-related ill health	108					
	<i>Company-specific disclosures:</i> Sickness absence	P-4	Sickness absence by segment	108				

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GRI Standard	Disclo- sure	Disclosure name	Page	Omissions			Principles of the UN Global Compact
				Requirement(s) omitted	Reason	Explanation	
TRAINING AND EDUCATION							
GRI 3: Material topics 2021	3-3	Management of material topics	88				
GRI 404: Training and education 2016	404-1	Average hours of training per year per employee	77, 107				
	404-3	Percentage of employees receiving regular performance and career development reviews	107				
DIVERSITY AND EQUAL OPPORTUNITY							
GRI 3: Material topics 2021	3-3	Management of material topics	88				
GRI 405: Diversity and equal opportunity 2016	405-1	Diversity of governance bodies and employees	78, 104–105				1, 2, 6
NON-DISCRIMINATION							
GRI 3: Material topics 2021	3-3	Management of material topics	88				
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	75				1, 2, 6
SUPPLIER SOCIAL ASSESSMENT							
GRI 3: Material topics 2021	3-3	Management of material topics	88				
GRI 414: Supplier social assessment 2016	414-2	Negative social impacts in the supply chain and actions taken	72–73, 109				1, 2, 10
CUSTOMER HEALTH AND SAFETY							
GRI 3: Material topics 2021	3-3	Management of material topics	88				
GRI 416: Customer health and safety 2016	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	74				
CUSTOMER PRIVACY							
GRI 3: Material topics 2021	3-3	Management of material topics	88				
GRI 418: Customer privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	75				
GUEST SATISFACTION							
GRI 3: Material topics 2021	3-3	Management of material topics	88				
<i>Company-specific disclosures:</i> Guest satisfaction	P-5	Guest satisfaction in Operator Activities	74				

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GRI Standard	Disclo- sure	Disclosure name	Page	Omissions			Principles of the UN Global Compact
				Requirement(s) omitted	Reason	Explanation	
PROSTITUTION AND TRAFFICKING							
GRI 3: Material topics 2021	3-3	Management of material topics	88				
<i>Company-specific disclosures:</i> Prostitution and trafficking	P-6	Number of incidents of prostitution or trafficking	70				2,4
INCLUSIVE LOCAL COMMUNITIES							
GRI 3: Material topics 2021	3-3	Management of material topics	88				
<i>Company-specific disclosures:</i> Inclusive local communities	P-7	Number of hotels in Operator Activities, including the head office, that have community projects	79				

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TCFD Index

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

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 120, 135	A. Describe the climate-related risks and opportunities the organisation has identified. See page 98	A. Describe the organisation's processes for identifying and assessing climate-related risks. See pages 62, 97	A. Disclose the metrics used by the organisation to assess climate-related risks and opportunities. See page 99
B. Describe management's role in assessing and managing climate-related risks and opportunities. See pages 62, 97	B. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning. See page 99	B. Describe the organisation's processes for managing climate-related risks. See pages 62, 99	B. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks. See pages 60–61, 95–96
	C. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios. See page 97	C. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management. See pages 87–88, 97	C. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets. See pages 58–59, 62

Strategy and operations +

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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.

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.

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.

Materiality analysis

Analysis to identify, evaluate and establish which sustainability topics are important for an organisation to prioritise in its sustainability work. The analysis is based on external analysis and stakeholder dialogue combined with an evaluation of the Company's economic, environmental and social impact on the

surrounding communities. In the years ahead it will also be important to evaluate the impact on the Company of these topics.

Science Based Targets initiative

The Science Based Targets initiative (SBTi) drives the development of relevant climate action in the private sector by enabling entities to set science-based emissions reduction targets in line with the Paris Agreement.

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. Its 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 the UN Convention against Corruption.

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.

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 sustainability report for the year 2022 on pages 55–116 and for ensuring that it has been prepared in accordance with the Annual Accounts Act.

Focus and scope of 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 2023
PricewaterhouseCoopers AB

Patrik Adolfsen
Authorised Public Accountant
Auditor-in-charge

Linda Andersson
Authorised Public Accountant

Strategy and operations +

Market and trends +

Properties +

Sustainability +

Governance -

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Financial +

Hotelism by Pandox

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Governance

Pandox 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. Pandox follows the Swedish Corporate Governance Code and the Nasdaq Rule Book for Issuers.



Strategy and operations +

Market and trends +

Properties +

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Back on track

2022 was the year of the hotel industry's great comeback. Such success tastes particularly sweet to us, as – without wishing to be smug about it – during the pandemic we loudly proclaimed that people and companies would go back to travelling again once this was possible.

The strong recovery has not been without its challenges, however. As the hotels quickly filled up, it became difficult to recruit staff. In this respect I am deeply impressed by both our tenants' and our own capacity to manage the great influx of guests with limited and in many cases newly trained staff. Our enjoyment is clouded, however, by the tragic war in Ukraine that has caused many people much suffering. I am proud that Pandox has contributed in various ways. As well as a financial contribution to UNICEF, I am particularly pleased that we offered hotel rooms at no cost to people fleeing the conflict.

Inflation protection and bank financing

In 2022 the world left behind a long period of low inflation and low interest rates. For many property companies, this was a brusque awakening. Pandox is in a somewhat better position thanks to its mainly variable revenues and 100-percent bank financing with security in the underlying property. This gives us inbuilt inflation protection in our revenues and at the same time avoids the uncertainty that comes with market financing in the form of bonds or hybrid loans. Having said that, we are in no way spared the effects of these developments and we will have higher financing costs in 2023.

Concern about interest rate instability has naturally demanded the full attention of the Board of Directors and the Finance Committee during the year. We have 13 banks with which we have long and strong relationships, and together we have recently navigated our way through a pandemic that was probably the ultimate stress test. We are therefore convinced that together we will also get through a period of overly high inflation and high interest rates.

During the year it was more important than ever for the Board to find a balance between on the one hand maintaining a strong financial position and on the other utilising opportunities for proactive acquisitions and investments.

Upswing in both the market and profits

The hotel market's good growth has significantly improved profitability and cash flow for both Pandox and its tenants, and the level of financial risk in the hotel sector is lower than it has been for many years. Pandox's loan-to-value ratio and many operators' debt are today lower than before the pandemic. The appetite for joint development projects is also greater than it has been for a long time and new investments will make a positive contribution to the hotel products' competitiveness and future rent potential. Our extension of 15 leases with Scandic during the year is a good example.

Good opportunities for continued value creation

A more challenging financing climate has created opportunities for attractive pricing of acquisitions, particularly in Operator Activities where we made several acquisitions at yield levels that are expected to more than compensate for higher interest expense. As always, we have also continued to invest around SEK 1 billion in the existing portfolio in cash flow-driving projects.

The risk of an economic downturn brought about by high inflation, higher interest rates and more cautious consumers and companies has increased. The Board's strategy is to plan for the worst and hope for the best. Pandox's financial preparedness is good, and the organisation is strong and competent. A tougher economic climate makes it more important than ever to focus on meaningful value creation in the hotel industry – something that Pandox has excelled at ever since it was formed in 1995.

Finally, I would like to thank all our shareholders, lenders, business partners and employees for their great cooperation.

Oslo, March 2023
Christian Ringnes



THREE FOCUS AREAS IN 2022

- Maintaining financial stability
- Expanding sustainability work
- Strategic planning for various economic scenarios

Corporate Governance Report

- Strategy and operations +

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Pages 119–127 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 headquartered in Stockholm 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 2022 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

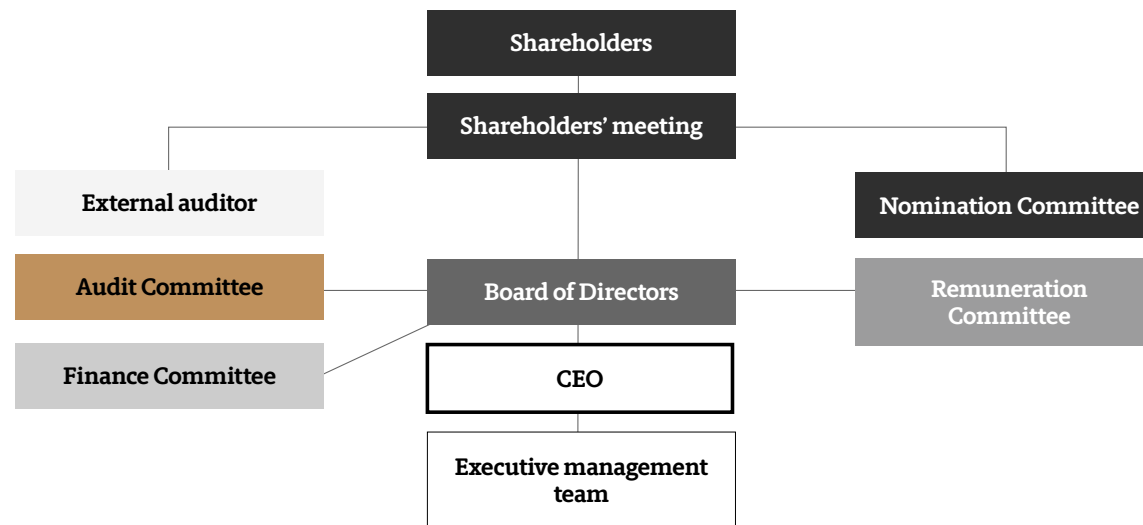
The Pandox class B share was listed on Nasdaq Stockholm on 18 June 2015 in the Large Cap segment. The Company’s share capital amounted to SEK 459,624,998 as of 31 December 2022, distributed across 75,000,000 class A shares and 108,849,999 class B shares. Each class A share entitles the holder to three 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 2022 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 2022	% 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 21,358 (26,842).

SHAREHOLDERS’ MEETING

The shareholders’ meeting is Pandox’s highest decision-making body, where the shareholders are entitled to make decisions on Pandox’s affairs. Decisions at a shareholders’ meeting are normally taken by simple majority, i.e. with the support of half of the votes cast at the meeting. In certain matters, however, Sweden’s Companies Act requires proposals to be approved by a greater share of the votes. 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 2023 AGM will be held in Stockholm on 12 April 2023.

Annual General Meeting 2022

Pandox’s last Annual General Meeting took place on 12 April 2022 in Stockholm. At the 2022 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

Strategy and operations	+
Market and trends	+
Properties	+
Sustainability	+
Governance	-
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Financial	+

- Fees for the Board: SEK 840,000 to the Chair, SEK 640,000 to the Vice Chair and SEK 420,000 to each of the other members
 - Fees for the Audit Committee: SEK 155,000 for the chair of the Audit Committee and SEK 77,500 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 155,000 to the chair of the committee and SEK 77,500 each to the other two members of the committee
 - Re-election of auditor: accounting firm PwC with Patrik Adolfson as auditor-in-charge
 - 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 2023 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.

Work of the Board of Directors

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 regularly conducts an 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.

In 2022 the Board reviewed matters with Pandox's SVP, Director of Sustainable Business on two occasions in order to educate itself further in this area. Among the matters reviewed were the EU Taxonomy Regulation, which currently focuses on new production, and its impact on Pandox's strategy to own and improve existing properties – resulting in investments aimed at sustainability. Also discussed were requirements for sustainability-linked loans (known as green loans), what science-based targets involve and a status report on the establishment of climate goals.

Since the start of 2022 climate adaptation risks have been an important component in the Company's overall risk assessment. The results of the assessment were reported to the Board of Directors during the year and will be reported on annually along with action plans produced.

In 2022 interviews were conducted 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 2022 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.

During the year the Audit Committee examined Pandox's external financial reporting, and also 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.

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 procedures, controls and systems, and support provided by the Finance Committee (see below).

- Strategy and operations +

- Market and trends +

- Properties +

- Sustainability +

- Governance -
 - From the Chair
 - Corporate Governance Report
 - Board of Directors and auditor
 - Senior executives
 - Risk and risk management

- Financial +

In 2022 the Audit Committee held five meetings at which minutes were kept and reported to the Board of Directors.

Remuneration Committee

Pandox 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 2022 the Remuneration Committee held two meetings for which minutes were kept and reported to the Board of Directors.

Finance Committee

On 12 April 2022 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 agreements. 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 2023, and that if established the Board

Board duties, normal annual cycle

other than standing items such as status report, investment decisions, liquidity and financing

BOARD MEETINGS											
JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
			3. April <ul style="list-style-type: none"> • Interim report, Q1 • Audit plan • Review of policies • Forecast/budget outcome 			6. July <ul style="list-style-type: none"> • Interim report, Q2 			8. October <ul style="list-style-type: none"> • Interim report, Q3 • Feedback from auditors • Forecast/budget outcome 		
		2. March <ul style="list-style-type: none"> • Adoption of Annual Report • Notice of Annual General Meeting 			5. June <ul style="list-style-type: none"> • Market update 			7. September <ul style="list-style-type: none"> • Forecast/budget outcome • Strategy 		9. December <ul style="list-style-type: none"> • Investments • Business plan • Budget • Risk assessment 	
1. February <ul style="list-style-type: none"> • Year-end report, Q4 • Income statement and balance sheet, full year • Proposed appropriation of profit • Annual Report • Feedback from auditors 											

Strategy and operations	+
Market and trends	+
Properties	+
Sustainability	+
Governance	-
From the Chair	
● Corporate Governance Report	
Board of Directors and auditor	
Senior executives	
Risk and risk management	
Financial	+

members concerned are paid fees at the same level as for the Audit Committee.

In 2022 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 for reporting 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.

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	Pandox'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 2022


Name	Fees, SEK 000s	Attendance at meetings			Finance Committee	Independent of the Company ¹⁾	Independent of owners ²⁾
		Board of Directors	Audit Committee	Remuneration Committee			
Christian Ringnes, Chair	968	14 of 14		2 of 2	5 of 5	Yes	No
Jakob Iqbal	470	14 of 14		2 of 2		Yes	No
Jon Rasmus Aurdal	575	14 of 14	5 of 5		5 of 5	Yes	No
Ann-Sofi Danielsson	575	14 of 14	5 of 5			Yes	Yes
Bengt Kjell, Vice Chair	872	14 of 14	5 of 5		5 of 5	Yes	Yes
Jeanette Dyhre Kvisvik	420	14 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.

Strategy and operations	+
Market and trends	+
Properties	+
Sustainability	+
Governance	-
From the Chair	
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Board of Directors and auditor	
Senior executives	
Risk and risk management	
Financial	+

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 2022 AGM re-elected PwC, with authorised public accountant Patrik Adolfson as auditor-in-charge.

 *Pandox's auditor is presented on page 126.*

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 examines the need for such a department on an annual basis. Based on the Audit Committee's assessment, the Board has decided not to establish a specific internal audit department. The Board judges that the established financial processes for monitoring and evaluation of controls that take place within the Group's accounting department ensure that sufficient reliability is achieved in the financial reporting without an independent internal audit department.

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 2022 AGM, the Nomination Committee, in preparation for the 2023 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 2022, 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 14 September 2022 Pandox announced that the Nomination Committee had been appointed in accordance with principles adopted by the AGM and consisted of the following:

- Anders Ryssdal, 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 2023 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 2024 Annual General Meeting

The Nomination Committee's proposals have been published in the notice of the 2023 AGM and on Pandox's website. The AGM will be held on 12 April 2023 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 126–132 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

- Strategy and operations +

- Market and trends +

- Properties +

- Sustainability +

- Governance -
 - From the Chair
 - Corporate Governance Report
 - Board of Directors and auditor
 - Senior executives
 - Risk and risk management

- Financial +

information 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 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 2022.

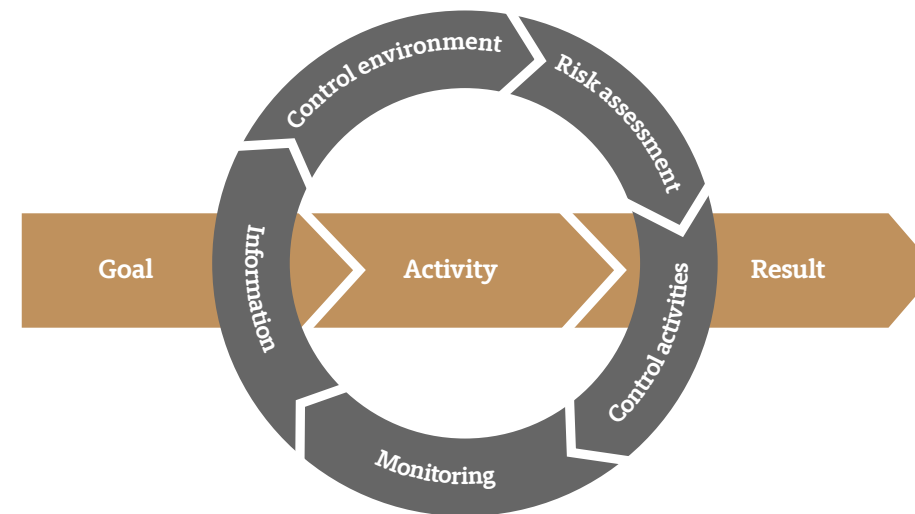
👉 *Further information on property valuation can be found on pages 148–151.*

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 also 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

Pandox’s model for internal control



- Strategy and operations +

- Market and trends +

- Properties +

- Sustainability +

- Governance -
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- Financial +

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 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.

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 the year 2022 on pages 119–127 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 are in accordance with the Annual Accounts Act.

Stockholm, 7 March 2023
PricewaterhouseCoopers AB

Patrik Adolfson

Authorised Public Accountant
Auditor-in-charge

Linda Andersson

Authorised Public Accountant

Stockholm, 6 March 2023

The Board of Directors of Pandox AB

Board of Directors and auditor

Strategy and operations +

Market and trends +

Properties +

Sustainability +

Governance -

From the Chair

Corporate Governance Report

● Board of Directors and auditor

Senior executives

Risk and risk management

Financial +

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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 46.1 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, Vasakronan AB, Netel AB and Rusta 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

Auditor

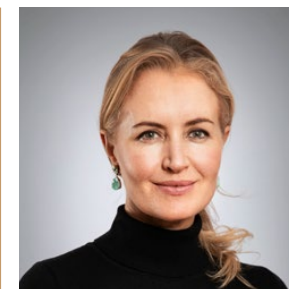
Patrik Adolfsen

Born 1973.

Auditor-in-charge, authorised public accountant, PricewaterhouseCoopers AB.
Auditor-in-charge for Pandox since 2017.

Other audit assignments: AcadeMedia AB (publ), Dometic Group AB (publ), Birger Bostad AB (publ), Bonava AB (publ) and Nordstjernen AB (publ).

Member of FAR (the professional institute for Swedish authorised public accountants).



Jeanette Dyhre Kvisvik

Born 1972.
Board member since 2017.

Law degree (honours) from the University of Bergen (Norway).

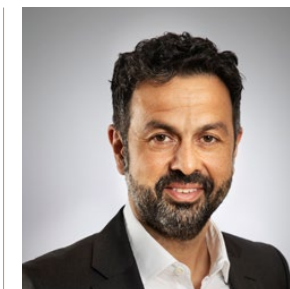
Chief Executive Officer VILLOID AS.

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.

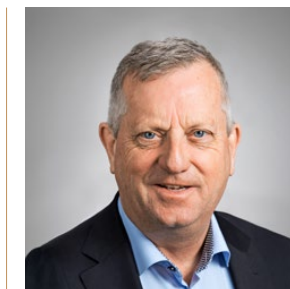
Master of Business Economics from BI Norwegian Business School. Certified European Financial Analyst (AFA), NHH Norwegian School of Economics. Completed the Advanced Management Program at Harvard Business School. Chief Executive Officer Sundt AS (plus board and management roles at several companies in 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.

Vice Chair Indutrade AB and Logistea AB.

Board member AB Industrivärden, ICA Gruppen AB, Dunkers Stiftelser 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

Senior executives¹⁾

Strategy and operations +

Market and trends +

Properties +

Sustainability +

Governance -

From the Chair

Corporate Governance Report

Board of Directors and auditor

● Senior executives

Risk and risk management

Financial +

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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. CFO.

MSc Business Administration from Frans Schartaus Handelsinstitut, Stockholm.

Board member Logistea AB, Haypp Group AB and Avtalat.

Shareholding: 3,800 class B shares.



Anders Berg

Born 1967. Joined Pandox in 2015. SVP, Communications and IR.

MSc Business and Economics from Linköping University, Certified European Financial Analyst (CEFA), Certified Investor Relations Officer (CIRO).

Shareholding: 0.



Mattias Bernunger

Born 1972. Joined Pandox in 2018. SVP, Asset Management.

MSc Engineering from Luleå University.

Shareholding: 1,700 class B shares.



Martin Creydt

Born 1965. Joined Pandox in 2017. SVP, 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.



Tobias Ekman

Born 1972. Joined Pandox in 2022. SVP, Director of Property Management Nordics.

Hotel management degree, Hotel Institute Montreux. Hotel operation studies, HOSTA Hotel School, Switzerland.

Shareholding: 0.



Lars Haggström

Born 1954. Joined Pandox in 2000. Executive Senior Advisor.

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.

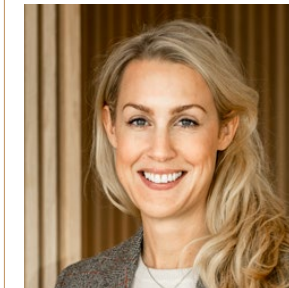


Aldert Schaaphok

Born 1959. Joined Pandox in 2004. SVP, Director International Operations.

Bachelor's degree in Business Administration (hospitality focus), Hotelschool The Hague.

Shareholding: 0.



Caroline Tivéus

Born 1979. Joined Pandox in 2018. SVP, Director of Sustainable Business.

Master's in Accounting from Lund University.

Shareholding: 0.



Jonas Törner

Born 1971. Joined Pandox in 2005. Chief Commercial Officer.

Studies towards MSc in Business Administration and Economics, Stockholm University. Studies towards BSc in Engineering, Royal Institute of Technology (KTH) in Stockholm.

Shareholding: 2,000 class B shares.

¹⁾ As at 31 December 2022.

Strategy and operations +

Market and trends +

Properties +

Sustainability +

Governance -

From the Chair

Corporate Governance Report

Board of Directors and auditor

Senior executives

● Risk and risk management

Financial +

Risk and risk management

Thorough risk management creates freedom to act

- Strategy and operations +

- Market and trends +

- Properties +

- Sustainability +

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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 consciously and effectively as possible. Good risk management creates the freedom to act and strengthens confidence in the Company among the communities around us.

Pandox's business activities are associated with risk and the Company works in a structured and proactive way to map, analyse and manage this.

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.

	PANDOX'S RISK WORK	1 EXTERNAL ENVIRONMENT	2 STRATEGY	3 OPERATIONS	4 FINANCIAL	5 SUSTAINABILITY
WHAT?	Risk is an uncertainty that could prevent Pandox from achieving its business objectives. Risks need to be identified, evaluated and managed on an ongoing basis. Pandox's risk work is based on a combination of expertise, experience, organisation and responsibility, as well as policies, rules, instructions and controls.	External factors such as the economic cycle, new hotel capacity, changed business models, geopolitical events, terrorist attacks and social restrictions – e.g. due to pandemics – can have an effect on the travel market and thus hotel demand.	Internal factors that directly impact Pandox's ability to realise its strategy and achieve its business objectives with a predetermined level of risk, such as access to the specialist expertise that allows the Company to run its business competitively.	Internal factors such as Pandox's organisational structure, efficiency and ability to create profitable growth and value for the Company's stakeholders with a predetermined level of risk. This includes compliance risk, which relates to external requirements, rules and laws.	External and internal factors such as fluctuating interest rates and exchange rates, inaccurate property valuations, liquidity risk and counterparty risk. This includes refinancing risk associated with the tenants' financial performance and status.	Strategic and operational risk relating to the environment, human rights, social and personal circumstances as well as corruption which, together with the Company's financial performance, lay the foundations for the confidence of the world around us.
HOW?	Pandox's Board of Directors has formal responsibility for Pandox's risk management, but operational responsibility is delegated to executive management which works on risk as part of the Company's day-to-day operations. Significant areas include valuation, financing and acquisition of hotel properties, as well as leases and other contractual relationships, investments in hotel properties and the running of hotel operations.	Pandox benefits from a significant flow of information about the business climate thanks to its broad geographical presence and large network of business partners and external advisors. As well as having strong internal capacity for analysis, executive management is able to quickly identify, evaluate and act on risks and opportunities arising in the world around us.	Pandox's Board of Directors and management jointly evaluate key strategic risks and examine the need for adjustments to the Company's strategy on an ongoing basis. Pandox works actively to ensure that the Company is attractive to existing and new personnel.	Pandox's value creation and operational risk are continually evaluated by the Company's executive management and Board of Directors. Risk is managed by combining advanced business expertise with an organisation that has a clear division of responsibility and monitoring activities. Governance and support are also provided by policies adopted by the Company's Board of Directors as well as supplementary governing documents and instructions.	Financial risk is regulated primarily in Pandox's Financial Policy. Risks are identified, assessed and managed continuously by Pandox's executive management supported by the Board of Directors, including in a separate Finance Committee.	Pandox's first line of defence is the individual employee's competence and the Company's basic values. The risks are regulated in various codes and policies adopted by the Board of Directors and are managed through the Company's active monitoring and control in Operator Activities and in partnership with tenants in Property Management.

PANDOX'S RISKS AND THE COMPANY'S MANAGEMENT OF SUCH RISKS ARE DESCRIBED IN MORE DETAIL BELOW.

Risk	Description	Risk management
1 EXTERNAL RISKS		
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 RISKS		
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

Strategy and operations	+
Market and trends	+
Properties	+
Sustainability	+
Governance	-
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Financial	+

Strategy and operations	+
Market and trends	+
Properties	+
Sustainability	+
Governance	-
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Financial	+

Risk	Description	Risk management
2 STRATEGIC RISKS, 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 RISKS		
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 assessment 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

Strategy and operations	+
Market and trends	+
Properties	+
Sustainability	+
Governance	-
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Financial	+

Risk	Description	Risk management
3 OPERATIONAL RISKS, 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 RISKS		
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 13 Nordic and international banking partners, including AMF Tjänstepension AB 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	In extraordinary circumstances, such as in times of pandemic or extreme interest rate concern, 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 2022 lenders provided waivers in individual credit agreements due to Covid-19
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

- Strategy and operations +

- Market and trends +

- Properties +

- Sustainability +

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Risk	Description	Risk management
4 FINANCIAL RISKS, 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

Strategy and operations	+
Market and trends	+
Properties	+
Sustainability	+
Governance	-
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Financial	+

Risk	Description	Risk management
5 SUSTAINABILITY RISKS		
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 assessment 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

Strategy and operations +

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A year filled with work and valuable insights

2022 was a year in which Pandox went from working in a hotel market paralysed by restrictions at the start of the year to ending the year operating in a market on par with the peak year of 2019. To outward appearances we have been sailing with the wind behind us, but inwardly we have been working methodically and purposefully with both headwinds and tailwinds.

To be CFO at a time of change is demanding – whether the changes are taking place in the market and transition is necessary, or whether the changes are taking place on the inside and are more of a choice. Whatever the reason, you face choices as to which route to take, what to invest in and what not to invest in.

Efficiency makes room for more value creation

To me it is clear that a modern finance department must have a strategic focus in order to know where the company is headed and to prepare for the new and sometimes unknown. This focus must also include working on a daily basis to streamline everything, whether large or small. Introducing processes and spending less time on traditional accounting services or manual processing frees up capacity for real value creation. It gives employees and colleagues room to create valuable insights together; insights that lead to action and drive the company forward. Efficiency makes room for the freedom to think and develop, rather than just getting done what has to be done.

A challenging year filled with valuable insights

For us at Pandox, 2022 has been full of activity with several acquisitions and selective divest-

ments in various geographies. We have worked with our existing banks to refinance parts of the loan portfolio and have also brought in two new lenders, so that overall we now have relationships with 13 banks. During the year we invested MSEK 862 in our property portfolio: investing in cash flow-driving expansion, green initiatives for climate-smart properties and regular maintenance to retain value. Everything has to be accounted for and financed correctly, with the right documentation provided at the right time. It must all be reflected in our accounts; we are very particular about ensuring that our balance sheet is always valued correctly and that our cash flow is optimal.

Having the energy to stop, reflect and make improvements for tomorrow at the same time has been both challenging and difficult over the past year – but it is also what has made the days so dynamic and enjoyable for me and my colleagues. I am looking forward to continuing on our voyage – whether sailing into the wind or with the wind behind us!

Stockholm, March 2023

Anneli Lindblom

“Efficiency makes room for the freedom to think and develop, rather than just getting done what has to be done.”

Anneli Lindblom, CFO Pandox



How to read the financial information

Strategy and operations +

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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 sales 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 back into 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 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 and minority interests. Cash earnings are more volatile than net operating income because they include more cost items, which may also vary from quarter to quarter.

FINANCIAL STATEMENTS FOR THE GROUP		31 Dec 2022		31 Dec 2021	
		Million	EUR	Million	EUR
Consolidated statement of comprehensive income					
Net sales		1,504	1,277	1,504	1,277
Costs		(1,100)	(1,000)	(1,100)	(1,000)
Profit before tax		404	277	404	277
Financial expense		(10)	(10)	(10)	(10)
Financial income		10	10	10	10
Profit for the year		394	267	394	267
Other comprehensive income		(1)	(1)	(1)	(1)
Comprehensive income for the year		393	266	393	266

FINANCIAL STATEMENTS FOR THE GROUP		31 Dec 2022		31 Dec 2021	
		Million	EUR	Million	EUR
Consolidated statement of financial position					
Non-current assets		7,306	7,430	7,306	7,430
Current assets		1,100	1,100	1,100	1,100
Total assets		8,406	8,530	8,406	8,530
Equity		440	440	440	440
Liabilities		7,966	8,090	7,966	8,090

Balance sheet

● **Non-current assets:** Here operating properties (the sum of operating properties plus furniture, fixtures and equipment) are recognised at cost and investment properties at fair value (market value).

● **Deferred tax assets:** These consist of the carrying amount of tax loss carryforwards that 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 fair value and the 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 that 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.

Administration Report

Strategy and operations	+
Market and trends	+
Properties	+
Sustainability	+
Governance	+
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The Board of Directors and Chief Executive Officer hereby submit the Annual Report and consolidated accounts for the 2022 financial year for Pandox AB (publ), corporate registration number 556030-7885.

OPERATIONS

Pandox is listed on Nasdaq Stockholm's Large Cap list. Pandox is a property company focused solely on hotel properties as its only class of asset. Pandox's goal is to create growth in cash flow through stable rental income and project development in the existing property portfolio, combined with the possibility of seizing acquisition opportunities. Pandox is an active owner with a business model based on long-term leases with the best hotel operators in the market. Geographically concentrated in Northern Europe, Pandox has hotel properties in all segments and categories – from the low-price to the high-price segment – in strategic locations in both leisure and business destinations.

At Pandox we believe in having a diversified portfolio that makes the most of the varied nature of each hotel property by assessing its unique potential. Pandox's organisation is made up of employees who combine many years' experience of value-creating, sustainable management and development with unique hotel knowledge. At the end of 2022 Pandox's hotel property portfolio contained 157 (157) hotels with a total of 35,490 (35,372) hotel rooms in 15 countries, with a market value of MSEK 69,231 (62,596). Of the 157 hotels, 137 (137) were leased on a long-term basis to well-known tenants with established brands, providing stable rental income. The remaining 20 (20) hotel properties were operated by Pandox under various brands. The investment properties had a weighted average unexpired lease term (WAULT) of 15.0 (14.0) years and a practically non-existent void rate since hotel properties are always fully leased out. Pandox's operations in 2022 were initially affected by the restrictions introduced in connection with Covid-19. A weak first quarter caused by these restrictions was followed by significantly stronger quarters driven by a clear improvement in demand and an obvious pent-up need to travel within all segments.

REVENUE AND PROFIT

Group

Profit for the year attributable to the Parent Company's shareholders amounted to MSEK 4,217 (610). The improvement was mainly due to increased net operating income, amounting to MSEK 3,434 (2,005), as a result of the hotel market gradually returning to normal. Restrictions associated with the Covid-19 pandemic were eased in Europe in the second and third quarters, which was immediately reflected in growing demand for hotel stays. Unrealised changes in the value of investment properties amounted to MSEK 1,185 (-368), with higher expected cash flows based on lasting increases in average room rates outweighing increases in yield requirements. Changes in the value of derivatives amounted to MSEK 2,318 (740), due to changes in long-term market interest rates. The Group's net sales amounted to MSEK 5,654 (3,273). For comparable units, net sales increased by 66 percent adjusted for currency effects.

Property Management

Revenue from Property Management amounted to MSEK 3,307 (2,422), an increase of 37 percent. Revenue-based rents amounted to a total of around MSEK 1,020 (373). Government grants received amounted to MSEK 117 (26). For comparable units revenue increased by 30 percent, adjusted for currency

effects. Net operating income from Property Management amounted to MSEK 2,868 (2,027), an increase of 41 percent. For comparable units, net operating income increased by 30 percent, adjusted for currency effects.

Operator Activities

Revenue from Operator Activities amounted to MSEK 2,347 (851), an increase of 176 percent. For comparable units, revenue increased by 162 percent and RevPAR by 175 percent, adjusted for currency effects. The revenue increase is explained by a strong recovery that began in the second quarter of 2022, mainly due to an increase in leisure 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 566 (-22). Government grants received amounted to MSEK 143 (185).

Consolidated EBITDA and financial expense

EBITDA amounted to MSEK 3,304 (1,868), an increase of 77 percent, which is mainly explained by an increase in underlying net operating income for both Property Management and Operator Activities. Financial expense amounted to MSEK -1,022 (-944). The increase is primarily due to increases in market interest rates.

CONTRIBUTION OF BUSINESS SEGMENTS TO PROFIT

MSEK	2022	2021	2020	2019	2018
Property Management					
Gross profit	2,868	2,027	2,018	2,764	2,517
Unrealised changes in value	1,185	-368	-1,779	1,389	1,428
Realised changes in value	-5	-18	0	70	67
Property Management contribution	4,048	1,641	239	4,223	4,012
Operator Activities					
Gross profit	236	-300	-403	431	377
Unrealised changes in value	—	—	—	—	—
Realised changes in value	—	-10	—	—	—
Operator Activities contribution	236	-310	-403	431	377

Strategy and operations +

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Property portfolio

At year-end 2022 Pandox had a total market value of MSEK 69,231 (62,596), of which MSEK 57,563 (52,215) was for investment properties and MSEK 11,669 (10,380) for operating properties. The market value of operating properties is reported for information purposes only and is included in EPRA NRV. As of 31 December 2022 the average valuation yield for Pandox's investment properties was 5.58 (5.44) percent and for operating properties 6.50 (6.37) percent.

📄 Complete information on changes in the value of properties can be found on page 168.

CURRENT AND DEFERRED TAX

Current tax amounted to MSEK -164 (-128). Deferred tax amounted to MSEK -983 (-149). Current tax was affected by the outcome of various tax proceedings in different jurisdictions where Pandox is active.

📄 See also Note D1.

CASH FLOW AND CASH EARNINGS

Cash earnings amounted to MSEK 2,056 (713). Cash flow from operating activities before changes in working capital amounted to MSEK 2,245 (816). Taxes paid amounted to MSEK -86 (-60). The change in working capital affected cash flow in the amount of MSEK 132 (-386). Cash flow from investing activities affected cash flow in the amount of MSEK -1,637 (-1,521). Cash flow from financing activities amounted to MSEK -806 (93), which is mainly due to higher repayments. Cash and cash equivalents at the end of the period amounted to MSEK 1,630 (1,593).

EQUITY AND NET ASSET VALUE

Equity attributable to the Parent Company's shareholders amounted to MSEK 30,731 (25,213) and EPRA NRV (net asset value) was MSEK 37,694 (31,905). EPRA NRV per share was SEK 205.03 (173.54).

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 2022 totalled MSEK 79 (148) and profit for the period amounted to MSEK 2,269 (888). At the end of the period the Parent Company's equity amounted to MSEK 11,760 (9,490) and the external interest-bearing debt was MSEK 7,269 (8,252), of which MSEK 5,314 (1,476) was in the form of long-term debt.

SHARES AND OWNERSHIP

Under Pandox AB's current Articles of Association the share capital is to consist of not less than MSEK 150 and not more than MSEK 600. The 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. One class A share represents three votes at the Annual General Meeting and one class B share represents one vote. The shares have 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 shares to class B shares. The Articles of Association impose restrictions on the transfer of shares and on voting rights for class A shares.

GENERAL RISKS AND UNCERTAINTIES

Priority areas of risk management relate mainly to changes in rental income in Property Management and changes in income and expenses in Operator Activities, and also to property valuation and financing in terms of both complexity and the size of the amounts. Pandox assesses each risk based on assumptions as to whether the event triggering the risk will occur and the likelihood 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.

📄 Pandox's risks and risk management are described further on pages 130–135.

TAX SITUATION

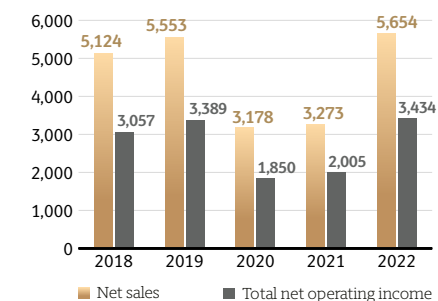
At the end of the period deferred tax assets amounted to MSEK 305 (249), consisting mainly of the carrying amount of tax loss carryforwards that the Company expects to be able to utilise in future financial years.

Deferred tax liabilities amounted to MSEK 5,538 (4,281) and relate mainly to temporary differences between the fair value and taxable value of investment properties, to temporary differences between the carrying amount and taxable value of operating properties and to temporary differences in the value of interest rate derivatives.

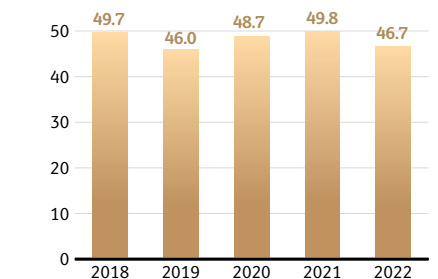
DISPUTES AND INSURANCE CASES

In January 2023 Pandox received compensation for Dorint Parkhotel Bad Neuenahr, the property affected by flooding in 2021. The compensation covers the costs that Pandox incurred and the damage caused by the flood. No other significant change has taken place in any disputes and insurance cases commented on previously.

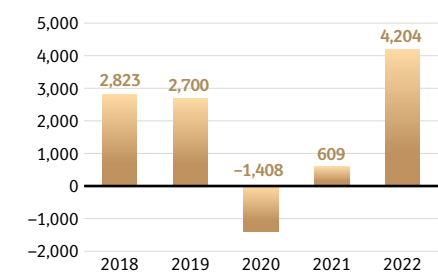
Net sales and total net operating income, MSEK



Loan-to-value ratio, %



Profit for the year, MSEK



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Market and trends	+
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EMPLOYEES

On 31 December 2022 Pandox had 1,226 (676) 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 1,179 (626). There are 47 (49) employees in the Property Management business segment and in central administration. The average number of employees was 1,084 (554), of which 544 (278) are men and 540 (276) are women. 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. A survey was carried out during the year on inclusion and gender equality within the Company's own operations. This 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.

SUSTAINABILITY

Pandox has prepared a separate Sustainability Report in accordance with the Swedish Annual Accounts Act. The report can be found in full on pages 55–116.

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

Pandox's goal is to create growth in cash flow through stable rental income and project development in the existing property portfolio, combined with the possibility of seizing acquisition opportunities. The capacity to drive cash earnings is dependent not only on growth in the hotel market, but also on market conditions in general. In 2022 these conditions changed noticeably, for example through increased inflation, interest

rates and energy costs. We have not yet seen the full consequences of the economic downturn that we are moving into, but it is obvious that we are now navigating our way through a weaker and more uncertain market – and will be for some time to come. Nonetheless, we are confident that Pandox's capabilities as a company have been strengthened by our experiences during the restrictions associated with the Covid-19 pandemic.

APPROPRIATION OF PROFIT

At the disposal of the Annual General Meeting:

Retained earnings	9,020,567,874
Profit for the year	2,268,001,980
SEK	11,288,569,854

The Board proposes that the earnings be allocated as follows:

Dividend to shareholders, SEK 2.50 per share	459,624,998
Carried forward	10,828,944,857
SEK	11,288,569,854

The Board proposes that the available earnings of SEK 11,288,569,854 are allocated such that a dividend of SEK 459,624,998 is paid to the shareholders and SEK 10,828,944,857 is carried forward. The Board of Directors finds that the proposed allocation of earnings is justifiable taking into consideration the criteria mentioned in Chapter 17, Section 3, second and third paragraphs of the Swedish Companies Act regarding the nature and scope of the business and its risks, consolidation requirements, liquidity and position in general.

EVENTS AFTER THE CLOSING DAY

On 1 February 2023 the divestment of InterContinental Montreal was completed. In January 2023 Pandox received compensation for Dorint Parkhotel Bad Neuenahr, the property affected by flooding in 2021. The compensation covers the costs that Pandox incurred and the damage caused by the flood. In 2023 Pandox AB (publ) has acquired and taken over The Queens Hotel in central Leeds, UK.

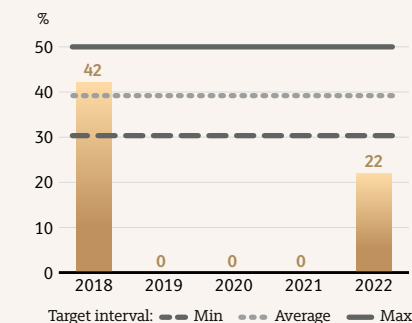
No other events or transactions of significance have taken place since 31 December 2022 that affect the financial statements provided for the Pandox Group for the 2022 financial year.

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, %

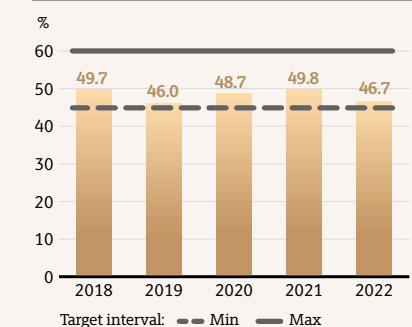


Outcome: The Board of Directors is proposing a dividend for 2022 of SEK 2.50 per share, totalling around MSEK 460. Future dividend pay-out and the size of such dividends depend on Pandox's future performance, financial position, cash flows, working capital requirements, investment plans and other factors.

¹⁾ Defined as EBITDA plus financial income less financial expense, less financial expense for right-of-use assets according to IFRS 16, less current tax, adjusted for any unrealised translation effect on bank balances and minority interests.

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 2022 the reported loan-to-value ratio was 46.7 (49.8) 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.

Consolidated statement of comprehensive income

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MSEK	Note	2022	2021
Revenue, Property Management			
Rental income	C1, C2, E1	3,052	2,279
Other property revenue	C1, C2, E1	255	143
Revenue, Operator Activities	C1	2,347	851
Net sales		5,654	3,273
Costs, Property Management	C1, C4, C6, C7, G5	-439	-395
Costs, Operator Activities	C1, C5, C6, C7, G5	-2,111	-1,151
Gross profit		3,104	1,727
<i>- of which gross profit, Property Management</i>	C1	2,868	2,027
<i>- of which gross profit, Operator Activities</i>	C1	236	-300
Central administration	C1, C3, C6, C7	-153	-157
Financial income	C1, G1	19	4
Financial expense	C1, G1	-1,022	-944
Financial expense for right-of-use assets	G1, G5	-95	-88
Profit before changes in value		1,853	542
Changes in value			
Properties, unrealised	C1, E1	1,185	-368
Properties, realised	C1, E1	-5	-28
Derivatives, unrealised	C1, G2	2,318	740
Profit before tax		5,351	886
Current tax	C1, D1	-164	-128
Deferred tax	C1, D1	-983	-149
Profit for the year		4,204	609
Other comprehensive income			
<i>Items that may not be reclassified to profit or loss, net after tax</i>			
Remeasurement for the year of property, plant and equipment		—	18
<i>Items that may be reclassified to profit or loss, net after tax</i>			
Hedging of net investment in foreign operations		-439	-43
Translation differences, foreign operations		1,762	765
Other comprehensive income for the year		1,323	740
Comprehensive income for the year		5,527	1,349

MSEK	Note	2022	2021
Profit for the year attributable to owners of the parent		4,217	610
Profit for the year attributable to non-controlling interests		-13	-1
Comprehensive income for the year attributable to owners of the parent		5,522	1,337
Comprehensive income for the year attributable to non-controlling interests		5	12
Per share data	G4		
Weighted average number of shares		183,849,999	183,849,999
Earnings per share after tax, before and after dilution, SEK		22.94	3.32

Consolidated statement of financial position

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MSEK	Note	31 Dec 2022	31 Dec 2021
ASSETS			
Non-current assets			
Operating properties	E2	7,306	7,450
Furniture, fixtures and equipment	E3	683	581
Investment properties	E1	57,563	52,215
Deferred non-current rent receivables attributable to new temporary payment terms	E4	59	233
Right-of-use assets	G5	3,218	3,039
Deferred tax assets	D1	305	249
Derivatives	G2, G3	2,374	203
Other non-current receivables	E5, G3	88	86
Total non-current assets		71,596	64,056
Current assets			
Inventories		17	12
Current tax assets	D1	147	64
Trade accounts receivable	E4, G3	297	269
Deferred current rent receivables attributable to new temporary payment terms	E4	245	357
Prepaid expenses and accrued income	E6	587	296
Other receivables		224	154
Cash and cash equivalents		1,630	1,593
Assets held for sale		474	—
Total current assets		3,621	2,745
TOTAL ASSETS		75,217	66,801

MSEK	Note	31 Dec 2022	31 Dec 2021
EQUITY AND LIABILITIES			
Equity			
	G4		
Share capital		460	460
Other paid-in capital		7,525	7,525
Reserves		1,318	13
Retained earnings including profit for the year		21,428	17,215
Total equity attributable to the owners of the parent		30,731	25,213
Non-controlling interests		202	209
Total equity		30,933	25,422
Liabilities			
Non-current liabilities			
Non-current interest-bearing liabilities	G2, G3	17,888	27,205
Other non-current liabilities		3	4
Non-current lease liabilities	G5	3,192	3,020
Derivatives	G2, G3	114	261
Provisions	F2	37	36
Deferred tax liabilities	D1	5,538	4,281
Total non-current liabilities		26,772	34,807
Current liabilities			
Provisions	F2	40	60
Current interest-bearing liabilities	G2, G3	15,983	5,418
Current lease liabilities	G5	31	22
Tax liabilities	D1	328	156
Trade accounts payable	G3	314	214
Other current liabilities		173	150
Accrued expenses and deferred income	F1	643	552
Total current liabilities		17,512	6,572
Total liabilities		44,284	41,379
TOTAL EQUITY AND LIABILITIES		75,217	66,801

Consolidated statement of changes in equity

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MSEK	Attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Other paid-in capital	Translation reserve	Revaluation reserve ¹⁾	Retained earnings, including profit for the year	Total		
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 non-controlling interests	—	—	—	—	-4	-4	-11	-15
Equity, closing balance, 31 December 2021	460	7,525	-174	187	17,215	25,213	209	25,422
Equity, opening balance, 1 January 2022	460	7,525	-174	187	17,215	25,213	209	25,422
Profit for the year	—	—	—	—	4,217	4,217	-13	4,204
Other comprehensive income	—	—	1,305	—	—	1,305	18	1,323
Guaranteed dividend	—	—	—	—	—	—	-16	-16
Transfer of non-controlling interests	—	—	—	—	-4	-4	4	—
Equity, closing balance, 31 December 2022	460	7,525	1,131	187	21,428	30,731	202	30,933

¹⁾ Change in fair value due to reclassification of hotel properties from Operator Activities to Property Management.

2021

Number of shares outstanding at year-end 183,849,999

2022

Number of shares outstanding at year-end 183,849,999

The share quota value is SEK 2.50.

Consolidated statement of cash flows

Strategy and operations	+
Market and trends	+
Properties	+
Sustainability	+
Governance	+
Financial	-
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MSEK	Note	2022	2021
OPERATING ACTIVITIES			
Profit before tax		5,351	886
Reversal of depreciation		334	280
Realised changes in value, investment properties		5	19
Unrealised changes in value, investment properties		-1,185	368
Unrealised changes in value, derivatives		-2,319	-740
Other items not included in cash flow	I1	145	63
Taxes paid		-86	-60
Cash flow from operating activities before changes in working capital		2,245	816
Increase/decrease in operating receivables		-14	-378
Increase/decrease in operating liabilities		146	-8
Changes in working capital		132	-386
Cash flow from operating activities		2,377	430
INVESTING ACTIVITIES			
Investments in investment properties		-432	-563
Investments in operating properties		-399	-330
Investments in furniture, fixtures and equipment		-32	-97
Divestment of hotel properties, net effect on liquidity	I1	124	—
Acquisition of hotel properties, net effect on liquidity	I1	-901	-482
Acquisition of financial assets		3	-49
Cash flow from investing activities		-1,637	-1,521
FINANCING ACTIVITIES			
New loans		12,811	8,196
Debt repayment		-13,601	-8,088
Guaranteed dividend, minority interests		-16	-15
Cash flow from financing activities		-806	93
Cash flow for the year		-66	-998
Cash and cash equivalents at beginning of year		1,593	2,622
Exchange rate differences in cash and cash equivalents		103	-31
Cash and cash equivalents at year-end		1,630	1,593

MSEK	Note	2022	2021
Information on interest paid			
Interest received		20	4
Interest paid		-893	-841
Financial expense for right-of-use assets		-94	-88

Parent Company income statement

MSEK	Note	2022	2021
Net sales	L1	79	148
Administrative costs	C3, C7	-130	-209
Operating profit		-51	-61
Profit from participations in Group companies	G1, L1	1,840	—
Other interest expense and similar profit/loss items	G1, L1	338	523
Derivatives, unrealised		184	481
Profit after financial items		2,311	943
Year-end appropriations		24	172
Profit before tax		2,335	1,115
Tax on profit for the year	D1	-17	-1
Deferred tax	D1	-49	-226
Profit for the year		2,269	888
Other comprehensive income for the year		—	—
Comprehensive income for the year		2,269	888

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MSEK	Note	31 Dec 2022	31 Dec 2021
ASSETS			
Non-current assets			
Property, plant and equipment			
Equipment	E2	14	16
Total non-current assets		14	16
Financial non-current assets			
Shares and participations in Group companies	H1	7,431	7,482
Receivables from Group companies	L1	11,552	12,500
Other non-current receivables	E5	26	25
Deferred tax assets	D1	14	62
Total financial non-current assets		19,023	20,069
Total non-current assets		19,037	20,085
Current assets			
Other receivables		2	2
Prepaid expenses and accrued income	E6	9	7
Receivables from Group companies		3,778	1,569
Cash and bank balances		5	1
Total current assets		3,794	1,579
TOTAL ASSETS		22,831	21,664

MSEK	Note	31 Dec 2022	31 Dec 2021
EQUITY AND LIABILITIES			
Equity			
	G4		
Share capital		460	460
Statutory reserve		11	10
Share premium reserve		2,969	2,969
Retained earnings		6,050	5,163
Profit for the year		2,269	888
Total equity		11,760	9,490
Provisions			
	F2	73	91
Non-current liabilities			
Non-current interest-bearing liabilities	J2	6,013	3,667
Liabilities, Group companies		1,414	1,459
Derivatives		36	218
Deferred tax liabilities		0	—
Total non-current liabilities		7,463	5,344
Current liabilities			
Current interest-bearing liabilities	J2	1,256	4,585
Trade accounts payable		15	5
Current tax liabilities		16	—
Liabilities, Group companies	L1	2,217	2,036
Other current liabilities		1	2
Accrued expenses and deferred income	F1	30	111
Total current liabilities		3,535	6,739
Total liabilities		11,071	12,174
TOTAL EQUITY AND LIABILITIES		22,831	21,664

Statement of changes in equity for the Parent Company

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MSEK	Restricted equity		Non-restricted equity				Total equity
	Share capital	Statutory reserve	Share premium reserve	Other comprehensive income	Retained earnings	Profit for the year	
Equity, opening balance, 1 January 2021	460	10	2,969	—	5,650	-486	8,603
Appropriation of profit	—	—	—	—	-486	486	—
Other comprehensive income	—	—	—	—	—	—	—
Profit for the year	—	—	—	—	—	888	888
Equity, closing balance, 31 December 2021	460	10	2,969	—	5,164	888	9,490
Equity, opening balance, 1 January 2022	460	10	2,969	—	5,164	888	9,490
Appropriation of profit	—	—	—	—	888	-888	—
Other comprehensive income	—	—	—	—	—	—	—
Profit for the year	—	—	—	—	—	2,269	2,269
Equity, closing balance, 31 December 2022	460	10	2,969	—	6,052	2,269	11,760

2021

Number of shares outstanding at year-end 183,849,999

2022

Number of shares outstanding at year-end 183,849,999

The share quota value is SEK 2.50.

Statement of cash flows for the Parent Company

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MSEK	2022	2021
OPERATING ACTIVITIES		
Profit after financial items	2,311	943
Reversal of depreciation	4	3
Other items not included in cash flow	-1,814	-485
Taxes paid	0	-1
Cash flow from operating activities before changes in working capital	501	460
Increase/decrease in operating receivables	-5	10
Increase/decrease in operating liabilities	-2,066	-4,484
Changes in working capital	-2,071	-4,474
Cash flow from operating activities	-1,570	-4,014
INVESTING ACTIVITIES		
Changes in shares and participations	-37	—
Investments in equipment	-1	-8
Divestment of subsidiaries, net effect on liquidity	2,403	—
Acquisition of subsidiaries, net effect on liquidity	-474	—
Acquisition of financial assets	-1,957	-1,738
Divestment of financial assets	2,903	874
Cash flow from investing activities	2,837	-872
FINANCING ACTIVITIES		
Group contributions received	331	242
Group contributions provided	-307	-70
New loans	8,633	5,893
Debt repayment	-9,920	-2,934
Cash flow from financing activities	-1,263	3,131
Cash flow for the year	4	-1,755
Cash and cash equivalents at beginning of year	1	1,756
Cash and cash equivalents at year-end	5	1
Information on interest paid		
Interest received	519	345
Interest paid	-304	-317
Information on cash and cash equivalents at year-end	5	1
Cash and cash equivalents consist of bank balances		

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A1 Alternative performance measures

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.

① See definitions on page 197.

RECONCILIATION ALTERNATIVE PERFORMANCE MEASURES (MSEK)	2022	2021
Net interest-bearing debt		
Non-current interest bearing liabilities	17,888	27,205
Current interest-bearing liabilities	15,983	5,418
Arrangement fees for loans	93	129
Cash and cash equivalents	-1,630	-1,593
Net interest-bearing debt	32,334	31,159
Loan-to-value ratio, net %		
Net interest-bearing debt	32,334	31,159
Market value, properties	69,231	62,596
Loan-to-value ratio, %	46.7	49.8
Interest coverage ratio, times		
EBITDA	3,304	1,868
Less: Financial expense for right-of-use assets	-95	-88
Net interest expense	873	831
Interest coverage ratio, times	3.7	2.1
Average interest on debt, %		
Average interest expense	1,087	812
Non-current interest-bearing liabilities	17,888	27,205
Arrangement fees for loans	93	129
Current interest-bearing liabilities	15,983	5,418
Average interest on debt, %	3.2	2.5
See Note G2 for a complete reconciliation		
Investments, incl. Parent Company excl. acquisitions	863	990

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RECONCILIATION ALTERNATIVE PERFORMANCE MEASURES (MSEK)	2022	2021
Net operating income, Property Management		
Rental income	3,052	2,279
Other property revenue	255	143
Costs, excl. property administration	-245	-218
Net operating income, Property Management before property administration	3,062	2,204
Property administration	-194	-177
Net operating income, Property Management	2,868	2,027
Net operating income, Operator Activities		
Revenue, Operator Activities	2,347	851
Costs, Operator Activities	-2,111	-1,151
Gross profit	236	-300
Add: Depreciation included in costs	330	278
Net operating income, Operator Activities	566	-22
EBITDA		
Total gross profit from respective business segment	3,104	1,727
Add: Depreciation included in costs, Operator Activities	330	278
Add: Depreciation included in Central administration	23	20
Less: Central administration, excluding depreciation	-153	-137
EBITDA	3,304	1,868
Cash earnings		
EBITDA	3,304	1,868
Add: Financial income	19	4
Less: Financial expense	-1,022	-944
Less: Financial expense for right-of-use assets	-95	-88
Add/Less: Unrealised translation gains on bank balances	1	0
Less: Current tax	-164	-128
Add/Less: Profit for the year attributable to non-controlling interests	13	1
Cash earnings	2,056	713

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CONT. RECONCILIATION ALTERNATIVE PERFORMANCE MEASURES	2022	2021
EPRA NRV		
Group equity attributable to owners of the parent	30,731	25,213
Add: Revaluation of operating properties	3,220	2,365
Add: Fair value of financial derivatives	-2,260	58
Less: Deferred tax assets related to derivatives	466	-12
Add: Deferred tax liabilities related to properties	5,538	4,281
EPRA NRV	37,694	31,905
Growth in EPRA NRV, annual rate, %		
EPRA NRV attributable to owners of the parent, opening balance	31,905	30,813
EPRA NRV attributable to owners of the parent, closing balance	37,694	31,906
Growth in EPRA NRV, annual rate, %	18.1	3.5

RECONCILIATION ALTERNATIVE PERFORMANCE MEASURES PER SHARE ¹⁾	2022	2021
Comprehensive income per share, SEK		
Comprehensive income for the period attributable to owners of the parent, MSEK	5,522	1,337
Weighted average number of shares before and after dilution	183,849,999	183,849,999
Comprehensive income per share, SEK	30.04	7.27
Cash earnings per share, SEK		
Cash earnings attributable to owners of the parent, MSEK	2,056	713
Weighted average number of shares before and after dilution	183,849,999	183,849,999
Cash earnings per share, SEK	11.18	3.88
Net asset value (EPRA NRV) per share, SEK		
EPRA NRV, MSEK	37,694	31,905
Number of shares at year-end	183,849,999	183,849,999
Net asset value (EPRA NRV) per share, SEK	205.03	173.54
Dividend per share, SEK		
Dividend, MSEK	460	—
Number of shares at dividend	183,849,999	183,849,999
Dividend per share, SEK	2.5	—
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	157
Number of rooms, end of period ²⁾	35,490	35,372
WAULT, years	15.0	14.0
Market value properties, MSEK	69,231	62,596
Market value investment properties, MSEK	57,563	52,215
Market value operating properties, MSEK	11,669	10,380
RevPAR (operating properties) for comparable units at comparable exchange rates, SEK	811	295

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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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 2022 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 197 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 2022		31 Dec 2021	
	MSEK	SEK/share ¹⁾	MSEK	SEK/share ¹⁾
Equity attributable to owners of the parent	30,731	167.15	25,213	137.14
Add: Revaluation of operating properties	3,220	17.51	2,365	12.87
Add: Fair value of financial derivatives	-2,260	-12.29	58	0.32
Less: Deferred tax assets related to derivatives	466	2.53	-12	-0.06
Add: Deferred tax liabilities	5,538	30.12	4,281	23.29
Net asset value EPRA NRV, MSEK	37,694	205.03	31,905	173.54
Added back:	—	—	—	—
Net asset value EPRA NTA, MSEK	37,694	205.03	31,905	173.54
Added back: derivatives and deferred tax	-3,744	-20.36	-4,327	-23.54
Net asset value EPRA NDV, MSEK	33,951	184.67	27,578	150.00

¹⁾ Number of shares at end of period.

Loan-to-value ratio, MSEK	31 Dec 2022		31 Dec 2021			
	Loan-to-value ratio reported to date, %	Adj. Loan-to-value ratio, %, EPRA	Loan-to-value ratio reported to date, %	Adj. Loan-to-value ratio, %, EPRA		
Non-current interest-bearing liabilities	17,888	—	17,888	27,205	—	27,205
Current interest-bearing liabilities	15,983	—	15,983	5,418	—	5,418
Arrangement fees for loans	93	—	93	129	—	129
Net operating receivables and operating liabilities	—	—	—	—	—	—
Exclude: Cash and cash equivalents	-1,630	—	-1,630	-1,593	—	-1,593
Net debt	32,334	—	32,334	31,159	—	31,159
Market value, properties	69,231	—	69,231	62,596	—	62,596
Net operating receivables and operating liabilities	—	58	58	—	264	264
Total properties and other applicable assets	69,231	58	69,289	62,596	264	62,860
Loan-to-value ratio, %	46.7%	—	46.7%	49.8%	—	49.6%

Loan-to-value ratio according to EPRA LTV

EPRA LTV is a key ratio that shows interest-bearing net debt in relation to the total market value of the property portfolio and other applicable assets, and is used to create comparability between property companies. EPRA LTV is essentially the same as Pandox's previous definition of loan-to-value ratio, the only difference being that net operating receivables and operating liabilities are included in the EPRA measurement. As Pandox has no associated companies or joint ventures, and as there are no minority interests that are material for the Company, no further adjustments are made. Adjustment compared with the loan-to-value ratio reported to date is the net of the following short-term operating items: tax assets, trade accounts receivable, deferred rent receivables, other receivables, provisions, tax liabilities, trade accounts payable and other short-term liabilities.

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 share and ownership structure" on page 32. The financial statements as per 31 December 2022 were approved by the Board of Directors and CEO on 6 March for adoption at the Annual General Meeting on 12 April 2023.

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. Current assets and current liabilities consist of amounts expected to be recovered or paid within 12 months of 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 2022 have had no material 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 conduct 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 2021	Average Jan–Dec 2022	Ultimo 31 Dec 2022
CAD	7.063600	7.771200	7.706000
CHF	9.854468	10.594970	11.291476
DKK	1.375262	1.429031	1.496483
EUR	10.226900	10.631700	11.128300
GBP	12.179000	12.466900	12.581100
NOK	1.025408	1.052278	1.057179
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 a purchase price allocation. Acquisitions made on several occasions which increase ownership of a company are recognised as step acquisitions. Once a

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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 section 1.5 concerning reporting of acquisitions.

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. Investment properties are recognised at fair value (IAS 40). For other assets, the carrying amount is 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 discount 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 classifies rent receivables and other receivables as doubtful based on individual assessments. For impairment of receivables the simplified model is applied.

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.

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's business segments are Property Management and Operator Activities. The Property Management segment improves and manages properties and provides premises for hotel operations, as well as other types of premises. The Operator Activities segment owns hotel properties and operates hotels. 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. Scandic Hotels Group and Fattal Hotels Group are tenants which, individually, account for more than 10 per cent of revenue.

Strategy and operations	+
Market and trends	+
Properties	+
Sustainability	+
Governance	+
Financial	-
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GROUP 2022	Property Management ³⁾	Operator Activities ³⁾	Group-wide and unallocated items	Total
Business segments, MSEK				
Revenue, Property Management				
Rental income and other property revenue ¹⁾	3,307	—	—	3,307
Revenue, Operator Activities	—	2,347	—	2,347
Net sales	3,307	2,347	—	5,654
Costs, Property Management	-439	—	—	-439
Costs, Operator Activities ²⁾	—	-2,111	—	-2,111
Gross profit	2,868	236	—	3,104
<i>– of which gross profit, Property Management</i>	<i>2,868</i>	<i>—</i>	<i>—</i>	<i>2,868</i>
<i>– of which gross profit, Operator Activities</i>	<i>—</i>	<i>236</i>	<i>—</i>	<i>236</i>
Central administration	—	—	-153	-153
Financial income	—	—	19	19
Financial expense	—	—	-1,022	-1,022
Financial expense for right-of-use assets	—	—	-95	-95
Profit before changes in value	2,868	236	-1,251	1,853
Changes in value				
Properties, unrealised	1,185	—	—	1,185
Properties, realised	-5	—	—	-5
Derivatives, unrealised	—	—	2,318	2,318
Profit before tax	4,048	236	1,067	5,351
Current tax	—	—	-164	164
Deferred tax	—	—	-983	-983
PROFIT FOR THE YEAR	4,048	236	-80	4,204

¹⁾ Other revenue refers to government assistance amounting to MSEK 117. For full-year 2022 revenue-based rent in Property Management amounted to MSEK 1,020.

²⁾ Including depreciation of operating properties in the amount of MSEK 331 and reduced costs due to government assistance of MSEK 143.

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	860	190	249	264	802	54	697	191	3,307
Operator Activities	1	73	—	39	516	843	306	569	2,347
Properties, market value ¹⁾	15,436	3,987	3,575	4,536	16,964	5,536	13,641	5,556	69,231
Investments in properties ²⁾	247	48	34	14	243	179	65	32	862
Acquisition of properties	—	—	—	—	—	365	536	—	901
Carrying amount, operating properties	—	388	—	29	2,045	2,980	1,529	1,479	8,450
Total non-current assets at carrying amount excl. deferred tax	17,920	3,950	3,578	5,268	15,974	4,624	14,680	5,298	71,292

¹⁾ Also includes fair value of operating properties at MSEK 11,669.

²⁾ Includes investments in furniture, fixtures and equipment in operating properties at MSEK 31.

Strategy and operations	+
Market and trends	+
Properties	+
Sustainability	+
Governance	+
Financial	-
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NOTES

►► Note C1, cont.

GROUP 2021	Property Management ³⁾	Operator Activities ³⁾	Group-wide and unallocated items	Total
Business segments, MSEK				
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
<i>– of which gross profit, Property Management</i>	<i>2,027</i>	<i>—</i>	<i>—</i>	<i>2,027</i>
<i>– of which gross profit, Operator Activities</i>	<i>—</i>	<i>-300</i>	<i>—</i>	<i>-300</i>
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
Carrying amount, 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 furniture, fixtures and equipment in operating properties at MSEK 89.

Strategy and operations	+
Market and trends	+
Properties	+
Sustainability	+
Governance	+
Financial	-
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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 agreements. Rental income relates to the space leased for hotel operations and minor rental income from other premises.

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 agreements.

Government grants within Property Management are recognised as other revenue in the income statement when it is reasonably certain that the grant will be received and in the same period as the costs they are intended to cover.

Revenue from Operator Activities

Revenue from Operator Activities refers to the 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 recognised on the occupancy date unless the risks and benefits have been transferred to the purchaser on an earlier occasion, in which case the revenue from the property sale is recognised at this earlier point in time.

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. 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 1,020 (373) of the total rental income of MSEK 3,052 (2,279) in 2022.

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 2,347 (851).

The average remaining lease terms at the end of the financial year amounted to 15.0 (14.0) 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 2022 and is therefore an estimate.

GROUP RENTAL INCOME, MATURITY STRUCTURE OF CONTRACTUAL RENT

MSEK	2022	2021
Rental income		
Due within one year	2,846	3,017
Due in 1–5 years	14,803	12,870
Due after more than 5 years	26,346	26,185
Total	43,996	42,072

Around 1.7 percent of rental income comes from other rents for 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 117 (26) in 2022, 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.

Strategy and operations	+
Market and trends	+
Properties	+
Sustainability	+
Governance	+
Financial	-
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C3 FEES AND REMUNERATION TO AUDITORS
REMUNERATION TO AUDITORS

MSEK	Group		Parent Company	
	2022	2021	2022	2021
PwC				
Audit assignments	-10.9	-11.0	-5.1	-4.5
Audit-related services ¹⁾	-0.9	-1.1	-0.2	-0.5
<i>(of which to the auditor for the Parent Company Pricewaterhouse-Coopers AB)</i>	-0.2	-0.5	—	—
Tax advisory services ¹⁾	-0.2	-0.2	—	—
<i>(of which to the auditor for the Parent Company Pricewaterhouse-Coopers AB)</i>	—	—	—	—
Other assignments ¹⁾	-0.2	-0.6	-0.2	-0.4
<i>(of which to the auditor for the Parent Company Pricewaterhouse-Coopers AB)</i>	0.2	-0.4	—	—
Other auditors				
Audit assignments	-2.7	-2.0	—	—
Audit-related services	-0.1	-0.2	—	—
Tax advisory services	-0.2	-0.1	—	—
Other assignments	-0.1	—	—	—
Total	-15.3	-15.0	-5.5	-5.4

¹⁾ Audit-related services include review of government grants and taxonomic analysis.

C4 COSTS, PROPERTY MANAGEMENT
GROUP

MSEK	2022	2021
Operating costs	-43	-39
Maintenance costs	-55	-47
Property tax	-123	-116
Property administration	-194	-177
Other administration costs	-24	-16
Total	-439	-395

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.

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 102 (88). Property administration of MSEK -194 (-177) includes costs of bookkeeping, auditing, legal advice and other administrative costs.

C5 COSTS, OPERATOR ACTIVITIES
GROUP

MSEK	2022	2021
Employee costs ¹⁾	-788	-384
Marketing and sales	-156	-75
Repairs and maintenance	-78	-56
Property tax	-94	-67
Other operating costs	-773	-406
Depreciation	-330	-278
Cost reduction from government grants for fixed costs, local taxes and levies, and other costs ¹⁾	108	115
Total	-2,111	-1,151

¹⁾ Government grants reduced this item by MSEK 143 (185), of which the cost reduction for employee costs is MSEK 34 (70). 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	2022	2021
Employee costs ¹⁾	-908	-516
Cost of goods sold	-156	-75
Maintenance	-133	-103
Operation and administration	-1,049	-649
Property tax	-216	-183
Depreciation	-349	-292
Cost reduction from government grants for fixed costs, local taxes and levies, and other costs ¹⁾	108	115
Total	-2,703	-1,703

¹⁾ Government grants reduced this item by MSEK 143 (185), of which the cost reduction for employee costs is MSEK 34 (70).

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. Depreciation also includes a one-time cost of MSEK -66 for disposal of furniture, fixtures and equipment in connection with remodelling.

Strategy and operations +

Market and trends +

Properties +

Sustainability +

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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 -933.4 (-505.2) and are presented in the table below.

SALARIES, FEES AND BENEFITS

MSEK	Group		Parent Company	
	2022	2021	2022	2021
Chair of the Board				
Christian Ringnes	-1.0	-0.9	-1.0	-0.9
Other board members				
Ann-Sofi Danielsson	-0.6	-0.5	-0.6	-0.5
Jeanette Dyhre Kvisvik	-0.4	-0.4	-0.4	-0.4
Bengt Kjell	-0.8	-0.8	-0.8	-0.8
Jon Rasmus Aurdal	-0.6	-0.5	-0.6	-0.5
Jakob Iqbal	-0.5	-0.5	-0.5	-0.5
Chief Executive Officer				
Liia Nõu				
Basic salary	-6.1	-2.0	-6.1	-2.0
Variable remuneration	-2.6	-1.2	-2.6	-1.2
Incentive schemes	-3.0	-0.4	-3.0	-0.4
Anders Nissen				
Basic salary	-	-3.5	-	-3.5
Variable remuneration	-	-	-	-
Incentive schemes	-	-	-	-
Other senior executives				
Basic salary	-19.9	-18.7	-19.9	-18.7
Variable remuneration	-6.1	-4.8	-6.1	-4.8
Other remuneration ¹⁾	-7.8	-6.4	-1.2	-0.6
Incentive schemes	-14.1	-6.1	-12.4	-5.3
Other employees				
Incentive schemes	-712.5	-359.7	-31.1	-30.4
Total	-780.7	-409.0	-89.5	-73.1

MSEK	Group		Parent Company	
	2022	2021	2022	2021
Contractual pension costs				
Chief Executive Officer – Liia Nõu	-2.2	-0.7	-2.2	-0.7
Chief Executive Officer – Anders Nissen	-	-1.2	-	-1.2
Other senior executives	-5.3	-5.3	-5.3	-5.3
Other employees	-28.1	-20.8	-6.4	-5.4
Total	-35.6	-28.0	-13.9	-12.6
Payroll overheads including payroll tax				
Chair of the Board	-0.1	-0.1	-0.1	-0.1
Other board members	-0.5	-0.6	-0.5	-0.6
Chief Executive Officer – Liia Nõu	-4.2	-1.4	-4.2	-1.4
Chief Executive Officer – Anders Nissen	-	-1.3	-	-1.3
Other senior executives	-12.9	-10.6	-12.3	-10.6
Other employees	-99.4	-54.2	-12.7	-10.4
Total	-117.1	-68.2	-29.8	-24.4
Total	-933.4	-505.2	-133.2	-110.1

¹⁾ Remuneration is invoiced by one senior executive.

►► Note C7, cont.

- Strategy and operations +

- Market and trends +

- Properties +

- Sustainability +

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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 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 the conditions are not in place for a profitable lease, Pandox can choose to operate a 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 twelve months. If notice is given by the senior executive, the period of notice is maximised at six months. If the Company serves the Chief Executive Officer with notice of termination, severance pay of 18 monthly salaries is payable. This may be reduced if the Chief Executive Officer 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 Chief Executive Officer 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 serve the Company's long-term interests, including its sustainability, or to ensure the Company's financial strength. As

Strategy and operations +

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stated 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 2022:

Christian Ringnes, Chair	Ann-Sofi Danielsson
Jakob Iqbal	Jeanette Dyhre Kvisvik
Jon Rasmus Aurdal	
Bengt Kjell	

Senior executives in 2022:

Liia Nõu CEO	Caroline Tivéus
Anneli Lindblom CFO	Mattias Bernunger, from 1 July 2022
Lars Häggström	Tobias Ekman, from 1 September 2022
Jonas Törner	Erik Möller, until 30 June 2022
Aldert Schaaphok	Karmen Bergholcs, until 31 October 2022
Martin Creydt	
Anders Berg	

Board of Directors and senior executives in 2022:

Number in the Parent Company: 15, of which 6 women
Number in the Group: 16, of which 6 women

The average number of employees in 2022 amounted to 1,084 (554) broken down by country and gender as shown below.

Average number of employees	Group		Parent Company	
	2022	2021	2022	2021
Women	540	276	19	20
Men	544	278	21	21
Total	1,084	554	40	41
Board of Directors				
Women	2	2	2	2
Men	4	4	4	4
Total	6	6	6	6
Senior executives				
Women	4	3	4	3
Men	6	7	5	6
Total	10	10	9	9
Average number of employees by country				
Sweden	40	41	40	41
Belgium	331	136	—	—
Germany	242	139	—	—
Canada	218	94	—	—
Denmark	18	22	—	—
Finland	24	19	—	—
Norway	1	1	—	—
Netherlands	32	23	—	—
UK	178	79	—	—
Total	1,084	554	40	41

Government grants

Operator Activities

In 2022 Pandox benefitted from government grants equivalent to around MSEK 259 (267), of which MSEK 143 (185) 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 34 (70). For comprehensive information on government grants, see the Administration Report.

GOVERNMENT GRANTS RECOGNISED IN THE INCOME STATEMENT

MSEK	Group	
	2022	2021
Operator Activities		
Cost reduction recognised within Costs, Operator Activities	143	185
<i>Of which salary support including payroll overheads</i>	34	70
<i>Of which assistance with fixed costs</i>	108	110
<i>Of which government grants relating to local taxes and levies</i>	—	3

D Tax

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D1 TAX

§ ACCOUNTING PRINCIPLES

Tax for the period consists of current tax and deferred tax. Taxes are recognised in the income statement except where the underlying transaction is recognised in other comprehensive income or directly in equity, in which case the associated tax effect is also included there.

Current tax is tax to be paid or received for the current year 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, and deferred tax liabilities and assets are recognised in the balance sheet for all temporary differences between reported and fiscal values of assets and liabilities. The carrying amount of deferred tax assets and loss carryforwards is tested on the closing day and reduced if it is no longer probable that sufficient taxable surplus will be available for their full or partial utilisation.

Deferred tax is calculated according to statutory tax rates that have been enacted as at the closing day and that are expected to apply when the deferred tax asset in question is realised or the deferred tax liability is settled. The temporary difference arising on initial recognition of assets and liabilities in connection with an asset purchase is not recognised as deferred tax.

! KEY ESTIMATES AND JUDGMENTS

Pandox 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 forecast 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	
	2022	2021	2022	2021
Current tax	-164	-128	-17	-1
Deferred tax	-983	-149	-49	-226
Total	-1,147	-277	-66	-227

RECONCILIATION OF EFFECTIVE TAX RATE

MSEK	Group		Parent Company	
	2022	2021	2022	2021
Tax				
Reported profit before tax	5,351	886	2,335	1,115
Income tax assessed based on the tax rate in effect	-1,100	-183	-481	-230
Tax relating to previous years	54	-34	—	—
Tax-exempt income ¹⁾	150	333	419	4
Non-deductible expenses	-290	-388	-3	-1
Other	3	—	—	—
Utilisation of previously unrecognised tax losses	25	11	—	—
Tax loss carryforwards for which no deferred tax asset is recognised	-17	-93	—	—
Recognition of previous unrecognised tax losses	76	5	—	—
Adjustment of temporary differences	26	11	0	0
Change in tax rate ²⁾	-29	43	—	—
Tax effect of foreign subsidiaries	-45	18	—	—
Tax for the year according to the income statement	-1,147	-277	-65	-227

¹⁾ Tax-free capital gain in connection with intra-Group sale of shares in subsidiary.

²⁾ From 1 April 2023 the corporate tax rate in the UK will increase to 25% and on 1 January 2023 the corporate tax rate in Austria was lowered to 24%.

►► Note D1, cont.

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GROUP DEFERRED TAX ASSETS

MSEK	Group		Parent Company	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Opening balance, tax loss carryforwards	155	372	11	143
Recognition of previously unrecognised tax losses	61	5	0	0
Acquisitions	11	—	—	—
Additional tax loss carryforwards	20	94	—	—
Utilised loss carryforwards	-51	-157	-11	-132
Reclassification	—	-168	—	—
Translation difference	10	9	—	—
Closing balance	206	155	0	11
Opening balance, interest rate derivatives	12	165	45	144
Adjusted opening balance	—	-1	—	—
Change for the year	—	-151	-38	-99
Reclassified as liabilities	-12	—	—	—
Translation difference	—	-1	—	—
Closing balance	0	12	7	45
Opening balance, other temporary differences	82	94	6	2
Adjusted opening balance	-12	35	—	—
Change for the year	26	-52	1	4
Translation difference	3	5	—	—
Closing balance	99	82	7	6
Closing balance, tax assets	305	249	14	62

The Group's accumulated tax losses are estimated at MSEK 2,892 (2,814) as of 31 December 2022. Deferred tax assets have been estimated at MSEK 1,580 (1,339) of the tax loss. Deferred tax assets have not been reported on tax losses of MSEK 1,313 (1,475) 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	Interest rate derivatives	Total
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
Translation difference	56	12	1	1	—	70
Closing balance, 31 Dec 2021	3,863	327	66	25	—	4,281
Opening balance, 1 Jan 2022	3,863	327	66	25	—	4,281
Adjusted opening balance	—	—	—	4	1	5
Change recognised in the income statement	492	-6	126	-12	476	1,076
Sales	-1	—	—	—	—	-1
Reclassification	0	—	—	—	-12	-12
Acquisitions	30	—	—	—	—	30
Translation difference	123	29	5	1	1	159
Closing balance, 31 Dec 2022	4,507	350	197	18	466	5,538

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.

E Assets

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- Market and trends +

- Properties +

- Sustainability +

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E1 INVESTMENT PROPERTIES

§ GENERAL ACCOUNTING PRINCIPLES

Investment properties are properties owned for the purpose of generating rental income as well as an appreciation in value. Investment properties include buildings, land and land improvements, as well as furniture, fixtures and equipment in properties. 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, which is determined by executive management based on the properties' market value in accordance with IAS 40. Valuation is at Level 3 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.

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 capitalised if it is likely that the Company will obtain economic benefits associated with the expenditure; in other words, that the expenditure increases the value. Other maintenance expenses and repairs are expensed in the period in which they arise.

Operating properties that are reclassified as investment properties are recognised at fair value on the date of reclassification.

Changes in fair value are recognised in profit or loss and are divided into realised and unrealised changes in value. Realised changes in value refers to changes in value for properties divested during the quarter and unrealised changes in value refers to other changes in value.

Valuation

The properties' fair value is established on each closing day through appraisal of the market value for each individual property. All properties are appraised quarterly; if an agreement has been signed for the purchase or sale of a property, the agreed property value instead forms the basis of the market value on the subsequent closing day.

The value of the properties is determined based on a cash flow model with a costing period of 10 years. Each individual hotel property's value consists of the present value of the future cash flow plus the residual value in year 10 discounted by the market's valuation yield. The valuation yield used in the calculation is derived from sales of comparable properties. Factors of significance for the valuation are the future earnings capacity through rent development, the change in value in the form of improvement possibilities, the location of the property, the condition to which it has been maintained and the market's valuation yield.

For development rights and other properties where a valuation based on cash flow is not applicable, the market value is instead calculated according to the location price method.

External appraisals are conducted annually since most of Pandox's loan terms require this. 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 valuation model and if a difference arises compared with internal valuations, this is analysed to challenge the model and the assumptions made. In 2022, 152 of the total 157 properties were valued by an external appraiser.

Investment properties are recognised at fair value in the balance sheet. In contrast, operating properties are recognised in the balance sheet at cost less depreciation and impairment. The market value of all Pandox's property types is reported for information purposes among the key ratios and is included in the EPRA NRV calculations.

! KEY ESTIMATES AND JUDGMENTS

Assumptions regarding cash flow

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 addition to a country-specific inflation assumption, a hotel property's future earnings capacity is assessed based on the underlying revenues in the operator's (tenant's) business, taking into consideration and analysing the market situation with a focus on supply – for example, new hotels being built or hotels ceasing their operations. Other factors include changes in demand from e.g. the leisure, business or conference segment, and the effects on the hotel's occupancy, average room rate and market share among its group of competitors. Market analysis and assessment of hotel-specific factors (for example, newly completed renovations) are used to calculate the operator's forecast revenue for each category (hotel rooms, conference rooms, food and beverages etc.), 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 costs refers to operation, maintenance, property tax, insurance and site leasehold rent.

Assumptions regarding valuation yield

The valuation yield is 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 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.

In 2022 the valuation yields increased somewhat, driven partly by rising financing costs. The market continues to be characterised by rising inflation which is in part due to external factors such as high energy prices, partly as a result of the war in Ukraine.

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►► Note E1, cont.

The tables below show the change for each geographical market:

BY GEOGRAPHICAL MARKET 31 DECEMBER 2022

MSEK	Sweden	Denmark	Norway	Finland	Germany	Belgium	UK Ireland	Other	Total
Opening balance	14,796	3,153	3,308	3,954	11,354	912	11,355	3,383	52,215
Acquisitions	—	—	—	—	—	365	—	—	365
Investments in existing portfolio	248	21	34	13	47	11	49	9	432
Divestments	-109	—	—	-17	—	—	—	—	-126
Reclassifications	—	—	—	—	878	—	—	—	878
Change in value, unrealised	494	97	129	226	-156	-6	428	-27	1,185
Change in value, realised	7	—	—	-12	—	—	—	—	-5
Change in exchange rates	—	277	104	347	1,001	98	451	341	2,619
Closing balance	15,436	3,548	3,575	4,511	13,124	1,380	12,283	3,706	57,563

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

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►► Note E1, cont.

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CALCULATION ASSUMPTIONS BY GEOGRAPHICAL AREA IN 2022

	Fair value, MSEK	Valuation yield		Discount rate	
		Range, %	Average, %	Range, %	Average, %
Sweden	15,436	4.1–6.2	5.1	6.4–8.5	7.4
– of which Stockholm	5,840	4.1–5.8	4.8	6.4–8.0	7.1
– of which Gothenburg	2,993	4.3–6.2	4.7	6.5–8.4	7.0
– of which Malmö	1,366	4.8–6.0	5.1	7.0–8.3	7.3
– of which Other Sweden	5,236	5.3–6.2	5.8	7.5–8.5	8.0
Denmark	3,548	4.8–6.3	5.3	6.8–8.4	7.4
Norway	3,575	4.4–8.3	5.7	6.5–10.3	7.7
Finland	4,511	4.7–8.0	5.6	6.7–10.1	7.6
Germany	13,124	5.0–6.4	5.8	7.2–8.9	8.0
Belgium	1,380	6.0–6.3	6.2	8.1–8.4	8.3
UK, Ireland	12,283	5.3–6.8	5.9	7.5–9.1	8.2
Other	3,706	5.4–6.4	5.8	7.2–8.2	7.6
Total	57,563	4.1–8.3	5.6	6.3–10.4	7.8

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

►► Note E1, cont.

Strategy and operations	+
Market and trends	+
Properties	+
Sustainability	+
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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 2022, MSEK	Effect on value 2021, MSEK
Valuation yield	+/-0.5 pp	-4,731/+5,662	-4,395/+5,284
Change in exchange rates	+/-1%	+/-421	+/-374
Rental income	+/-1%	+/-556	+/-427
Discount rate ¹⁾	+/-0.5 pp	-3,483/+3,963	-3,297/+3,773
Net operating income ¹⁾	+/-1%	+/-532	+/-395

¹⁾ The value relates to the level at the end of 2022 based on 31 revenue-based leases without a contractual minimum level and 78 (out of 96) revenue-based leases 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.

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.

EFFECT OF REVPAR CHANGE AS OF 31 DECEMBER 2022:

Investment properties, effect on revenues	Change	Revenue effect, MSEK
RevPAR (assuming a 50/50 split between occupancy and rate)	+/-1%	+/-20

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 void 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 2022 and had a void rate of around 14 percent. Overall, therefore, the total void rate for Pandox's property portfolio was around 0.2 percent in 2022.

Significant commitments for investments in hotel properties

As of 31 December 2022 approved investments for ongoing and future projects amounted to around MSEK 2,035, of which MSEK 1,212 is expected to be completed during 2023. In 2022 total investments and maintenance amounted to around MSEK 863 and MSEK 55 respectively.

Major ongoing and future projects include DoubleTree by Hilton Brussels City, Radisson Blu Glasgow, Hotel Pomander, NH Brussels Louise, Leonardo Galway, Frankfurt Airport Hotel Kelsterbach, Hotel Mayfair Copenhagen, Quality Grand Borås and the investment programme totalling around MSEK 700 that is being implemented jointly with Scandic.

SPECIFICATION OF PROPERTY REVENUE AND RELATED COSTS

MSEK	2022	2021	2020
Hotel rents			
Fixed rent	193	284	300
Revenue-based rent in leases without a contractual minimum level	636	341	239
Minimum rent in leases with a contractual minimum level	1,786	1,578	1,633
Revenue-based rent in leases with a contractual minimum level	383	32	10
Total hotel rents	2,999	2,235	2,182
Other property revenue			
Other rent (commercial premises, shops, mobile phone masts etc.)	53	44	46
Other revenue (supplements, assistance/relief etc.)	255	143	172
Total other property revenue	308	187	218
Total property revenue	3,307	2,422	2,400
Direct costs for investment properties that generated rental income during the period (operating and maintenance costs, property tax and site leasehold rent) ¹⁾	-245	-218	-215

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:

CHANGE IN VALUE - INVESTMENT PROPERTIES

MSEK	2022	2021
Investment properties, opening balance (1 January)	52,215	50,181
+ Acquisitions ¹⁾	365	482
+ Investments in existing portfolio	432	563
- Divestments	-126	—
+/- Reclassifications ²⁾	878	-195
+/- Change in value, unrealised	1,185	-368
+/- Change in value, realised	-5	-18
+/- Change in exchange rates	2,619	1,570
Investment properties, closing balance (31 December)	57,563	52,215

¹⁾ Acquisition of NH Brussels Louise.

²⁾ Reclassification of two hotel properties from Operator Activities.

Realised and unrealised changes in value are recognised in the income statement in the respective line items.

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E2 OPERATING PROPERTIES

§ ACCOUNTING PRINCIPLES

The properties used in Operator Activities are classified as operating properties. Operating properties are recognised at cost less depreciation and any impairment losses in accordance with IAS 16.

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.

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
- Furniture, fixtures and equipment	3–25 years

The depreciation methods, residual values and useful lives used are reassessed at the end of each year.

GROUP

MSEK	31 Dec 2022	31 Dec 2021
Buildings		
Cost, opening balance	7,484	6,836
Reclassification	-1,044	82
Acquisitions	375	—
Investments	75	188
Sales/disposals	-16	-91
Reclassification from construction/reconstruction work in progress	50	197
Translation difference	629	272
Accumulated cost, closing balance	7,553	7,484
Depreciation, opening balance	-1,170	-1,142
Reclassification	76	87
Sales/disposals	16	91
Depreciation for the year	-217	-167
Translation difference	-105	-39
Accumulated depreciation, closing balance	-1,400	-1,170
Residual value according to plan, buildings	6,153	6,314
Land		
Cost, opening balance	1,009	896
Reclassification	-213	87
Acquisitions	52	—
Translation difference	85	26
Accumulated cost, land, closing balance	933	1,009
Total residual value according to plan, closing balance	7,086	7,323
Work in progress, operating properties		
Cost, opening balance	127	282
Reclassification	-170	-34
Investments	325	141
Sales/disposals	-3	-19
Reclassification from construction/reconstruction work in progress	-72	-253
Translation difference	13	10
Cost, work in progress, closing balance	220	127
Total, operating properties	7,306	7,450

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 2022	31 Dec 2021
Market value, operating properties (incl. furniture, fixtures and equipment)	11,669	10,380

EFFECT OF REVPAR CHANGE AS OF 31 DECEMBER 2022:

Operating properties, effect on revenues	Change	Revenue effect, MSEK
RevPAR (assuming a 50/50 split between occupancy and rate)	+/-1%	+/-20

CHANGE IN VALUE - OPERATING PROPERTIES (REPORTED FOR INFORMATION PURPOSES ONLY)

	MSEK
Operating properties, opening balance (1 January 2022)	10,380
+ Acquisitions	537
+ Investments in existing portfolio	430
+/- Reclassifications ¹⁾	-878
+/- Change in value, unrealised	331
+/- Change in exchange rates	869
Operating properties, closing balance (31 December 2022)	11,669

Strategy and operations +

Market and trends +

Properties +

Sustainability +

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E3 FURNITURE, FIXTURES AND EQUIPMENT

§ 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. 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 furniture, fixtures 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 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Cost, opening balance	1,354	1,295	21	17
Acquisitions	109	—	—	—
Investments	32	97	1	8
Reclassification from work in progress	23	56	—	—
Sales/disposals	-49	-117	—	-5
Reclassifications	-5	-29	1	1
Translation differences	113	52	—	—
Accumulated cost, closing balance	1,577	1,354	23	21
Depreciation, opening balance	-773	-794	-5	-6
Depreciation for the year	-105	-102	-4	-2
Sales/disposals	49	127	—	4
Reclassifications	2	24	—	-1
Translation differences	-67	-28	—	—
Accumulated depreciation, closing balance	-894	-773	-9	-5
Residual value according to plan	683	581	14	16

Strategy and operations +

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E4 TRADE ACCOUNTS RECEIVABLE AND DEFERRED RENT ATTRIBUTABLE TO NEW 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 2022 rent receivables attributable to temporary payment terms totalled the equivalent of MSEK 304 (590). No discounts on hotel rents have been granted.

GROUP

MSEK	31 Dec 2022	31 Dec 2021
Non-current rent receivables attributable to new temporary payment terms	59	233
Current rent receivables attributable to new temporary payment terms	245	357
Rent receivables and trade accounts receivable	297	269
Closing balance	601	859

E5 OTHER NON-CURRENT RECEIVABLES

MSEK	Group		Parent Company	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Endowment policies	26	25	26	25
Prepaid compensation for land use	5	5	—	—
Other non-current receivables	57	56	—	—
Total	88	86	26	25

E6 PREPAID EXPENSES AND ACCRUED INCOME

MSEK	Group		Parent Company	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Prepaid expenses	111	66	9	7
Accrued rental income	476	230	—	—
Total	587	296	9	7

E7 ASSETS HELD FOR SALE

GROUP

MSEK	31 Dec 2022	31 Dec 2021
Assets		
Operating property InterContinental Montreal	474	—
Assets classified as held for sale	474	—

F Operating liabilities

Strategy and operations +

Market and trends +

Properties +

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F1 ACCRUED EXPENSES AND DEFERRED INCOME

MSEK	Group		Parent Company	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Prepaid rent	216	183	—	—
Accrued interest expense	63	60	-11	20
Accrued property tax	7	4	—	—
Accrued employee costs	80	55	29	29
Other	277	250	13	62
Total	643	552	31	111

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.

In the sale of properties where rent guarantees exist, the present value of the likely outflow of guarantee payments is calculated 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 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Carrying amount at beginning of period	96	171	91	168
Provisions made during the period	9	20	9	17
Amounts used during the period	-28	-95	-27	-94
Carrying amount at end of period	77	96	73	91
- of which the long-term portion of the provisions	37	36	33	31
- of which the short-term portion of the provisions	40	60	40	60

The provisions consist of pension provisions, provisions for incentive schemes and provisions for furniture, fixtures and equipment in buildings.

The opening balance of provisions was MSEK 31 (29) for pensions, MSEK 60 (139) for incentive schemes and MSEK 5 (3) for other provisions.

The change for the year consists of MSEK -20 for incentive schemes, MSEK 2 for pensions and MSEK 1 for furniture, fixtures and equipment in buildings.

The closing balance of provisions was MSEK 33 (31) for pensions, MSEK 40 (60) for incentive schemes and MSEK 4 (5) for other provisions.

Strategy and operations +

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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	
	2022	2021	2022	2021
Assets pledged to credit institutions				
Assets pledged for own liabilities, properties	33,266	30,365	—	—
Bank deposits	9	8	—	—
Total pledged assets	33,274	30,373	—	—
Contingent liabilities				
Security commitments for subsidiaries	—	—	25,535	24,156
Guarantees for employees	26	25	26	25
Total contingent liabilities	26	25	25,561	24,181

Property mortgages are used as security for bank loans; the amounts above refer to outstanding bank loans for which security has been provided. 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.

Ongoing disputes and insurance cases

In January 2023 Pandox received compensation for Dorint Parkhotel Bad Neuenahr, the property affected by flooding in 2021. The compensation covers the costs that Pandox incurred and the damage caused by the flood. No other significant change has taken place in any disputes or insurance cases commented on previously.

G Financing, capital structure and equity

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 expenses are interest, charges and other expenses arising when Pandox takes on interest-bearing liabilities.

Exchange gains and losses are recognised as net amounts.

Derivatives are used to hedge interest rate risk. 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 income 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 has taken a decision on the size of the dividend before publishing its financial statements.

MSEK	Group		Parent Company	
	2022	2021	2022	2021
Financial income				
Interest income	19	4	3	0
Interest income, subsidiaries	—	—	516	344
Capital gains on divestment of subsidiaries	—	—	1,847	—
Currency effects relating to internal loans	—	—	483	478
Other financial income	—	—	—	96
Total financial income	19	4	2,849	918
Financial expense				
Interest expense, loans measured at amortised cost	-863	-610	-174	-110
Interest expense, interest rate derivatives measured at fair value	-30	-225	-18	-177
Interest expense, subsidiaries	—	—	-81	-29
Impairment losses on shares in subsidiaries	—	—	-7	—
Other financial expense	-129	-109	-391	-79
Financial expense for right-of-use assets	-95	-88	—	—
Total financial expense	-1,117	-1,032	-671	-395

Strategy and operations +

Market and trends +

Properties +

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G2 FINANCIAL RISK AND RISK MANAGEMENT

§ ACCOUNTING PRINCIPLES

Hedging of net investment

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 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

In the consolidated financial statements Pandox is exposed to currency risk when foreign entities use a different currency to the Group's currency (SEK). The risk is hedged by taking out external loans in the local currency. 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 fair value on interest rate swaps are recognised through profit or loss after the financial items on the line for changes in the value of derivatives.

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 is 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 maturing in less than one year amount to MSEK 16,213. 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.

Interest-bearing liabilities and loans

As of 31 December 2022 loans amounted to MSEK 36,823. Unutilised long-term credit facilities amounted to MSEK 2,859 and the volume issued under the commercial paper programme amounted to MSEK 699.

Pandox has a Swedish commercial paper programme with a framework amount of MSEK 5,000. 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 2022

MSEK	Maturing	Interest basis	Total credit limit	Utilised amount	Unutilised amount
Bank loans	0–4 years	Variable	30,610	30,610	0
Revolving credit facilities	0–3 years	Variable	6,213	2,656	3,557
Commercial paper	0–1 year	Fixed	—	699	–699
Total credit facilities			36,823	33,964	2,859

Pandox's fixed interest periods and repayment periods are at the total levels shown below.

FIXED INTEREST/REPAYMENT PERIOD

	Average fixed interest period, years	Average interest rate, %	Repayment period, years
2022	2.7	3.2	1.7
2021	3.3	2.5	2.2

►► Note G2, cont.

Strategy and operations +

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Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows will be affected by changes in market interest rates through ongoing interest expense for loans and derivatives, as well as through changes in the market value of derivatives. The interest rate risk strategy consists of a combination of short and long fixed interest periods where 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 maturity. Pandox's fixed interest periods and repayment periods are at the total levels shown below.

FIXED RATE MATURITY PROFILE 31 DECEMBER 2022

Maturity (MSEK)	Total fixed rate		Fixed rate, derivatives		
	Amount ¹⁾	Share, %	Volume	Share, %	Average interest rate, derivatives %
0-2 years	16,087	47%	3,059	15%	1.6
2-4 years	5,637	17%	5,637	27%	0
4-6 years	8,234	24%	8,234	39%	0.8
6-8 years	2,893	9%	2,893	14%	-0.1
8-10 years	1,113	3%	1,113	5%	0.0
>10 years	—	—	—	—	—
Total	33,964	100%	20,936	100%	0.5

¹⁾ Share of loans with an interest rate reset during the period.

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 an interest rate reset during the period.

SENSITIVITY ANALYSIS OF CHANGES IN INTEREST RATES FOR 2022 AND 2021 RESPECTIVELY

The table below shows the change in various scenarios.

	2022		2021	
	Change	Profit before changes in value, MSEK	Change	Profit before changes in value, MSEK
Current fixed interest, change in interest rates, with derivatives	+/-1%	-120/+120	+/-1%	+6/-171
Current fixed interest, change in interest rates, without derivatives	+/-1%	-330/+330	+/-1%	-215/+31
Remeasurement of interest rate derivatives following shift in yield curves	+/-1%	+/-698	+/-1%	+/-988

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.

Strategy and operations	+
Market and trends	+
Properties	+
Sustainability	+
Governance	+
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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 reduces currency exposure in foreign investments by taking out loans in local currency. Equity is currency-hedged as needed 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.

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 2022

MSEK ¹⁾	SEK	DKK	EUR	CHF	CAD	NOK	GBP	Total	Share, %	Interest rate, % ²⁾
Total interest-bearing liabilities	6,628	2,090	17,356	527	293	1,218	5,853	33,964	100%	3.2%
Maturing in foreign currency, %	19.5	6.2	51.1	1.6	0.9	3.6	17.2	100.0	—	—
Average interest rate, %	3.6	3.0	2.5	3.6	7.1	5.8	4.3	3.2	—	—
Average fixed interest period, years	3.0	1.7	3.2	0.2	0.0	2.4	1.9	2.7	—	—
Fair value, properties	15,436	3,987	31,852	896	1,446	3,575	12,040	69,231	—	—

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	—	—

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 2022, MILLIONS IN LOCAL CURRENCY

	SEK	DKK	EUR	CHF	CAD	NOK	GBP	Total SEK
Assets	18,353	3,224	2,779	81	176	3,449	1,209	75,217
<i>of which Financial assets</i>	1,908	535	151	1	10	8	16	4,693
Liabilities	17,091	915	1,414	53	61	3,010	666	44,284
<i>of which Financial liabilities</i>	12,521	575	1,102	47	42	1,065	531	34,299
Effect on earnings +/-10% exchange rate	—	+/-25	+/-65	+/-1	+/-8	+/-20	+/-35	+/-154
Effect on equity +/-10% exchange rate	—	+/-37	+/-951	+/-50	+/-20	+/-111	+/-637	+/-1,086

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

▶▶ Note G2, cont.

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Liquidity and refinancing risk

Liquidity risk is the risk of not having sufficient funds to fulfil payment obligations when they fall due. A 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 4,489 (3,576) 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.

MSEK	31 Dec 2022	31 Dec 2021
Cash and cash equivalents	1,630	1,593
Unutilised credit facilities	2,859	1,983
Total liquidity reserve	4,489	3,576

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 2022, MSEK

Year due	Other liabilities ³⁾	Loan amount ²⁾	Interest, loans and derivatives ¹⁾
2023	—	16,213	507
<i>Due 0–1 month</i>	314	—	—
<i>Due 1–3 months</i>	—	5,748	—
<i>Due 3–12 months</i>	—	10,465	—
2024	—	5,026	155
2025	—	12,788	346
2026	—	2,796	85
2027	—	—	0
Total	314	36,823	1,092

MATURITY PROFILE OF FINANCIAL LIABILITIES AT 31 DECEMBER 2021, MSEK

Year due	Other liabilities ³⁾	Loan amount ²⁾	Interest, loans and derivatives ¹⁾
2022	—	5,891	129
<i>Due 0–1 month</i>	214	—	—
<i>Due 1–3 months</i>	—	—	—
<i>Due 3–12 months</i>	—	5,891	—
2023	—	14,604	376
2024	—	3,889	111
2025	—	8,859	174
2026	—	1,492	24
Total	214	34,735	814

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 516 (463).

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 arises, for example, when investing surplus liquidity, when signing derivative contracts and when credit agreements are issued. The risk is 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 2022 the loan-to-value ratio was 46.7 (49.8) percent.

Strategy and operations +

Market and trends +

Properties +

Sustainability +

Governance +

Financial -

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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, 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.

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 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 relevant categories are as follows:

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 items 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. Derivative instruments belong to this category. Pandox does not exercise the option to measure other financial instruments at fair value.

Financial assets/liabilities at fair value through other comprehensive income

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.

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.

►► Note G3, cont.

Strategy and operations +

Market and trends +

Properties +

Sustainability +

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FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

31 DECEMBER 2022, 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		88	—	—
Rent receivables and trade accounts receivable		297	—	—
Deferred rent receivables attributable to new temporary payment terms		304	—	—
Derivatives	Level 2	—	2,374	—
Cash and cash equivalents		1,630	—	—
Total financial assets		2,319	2,374	—
Non-current interest-bearing liabilities		17,888 ¹⁾	—	—
Derivatives	Level 2	—	114	—
Current interest-bearing liabilities		15,983 ¹⁾	—	—
Trade accounts payable		314	—	—
Total financial liabilities		34,185	114	—

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	—

¹⁾ Arrangement fees of MSEK 93 (129) 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.

Strategy and operations +

Market and trends +

Properties +

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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.

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 is proposing a dividend of SEK 2.50 (-) per share, totalling MSEK 460 (-).

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 22.94 (4,217,000,000/183,849,999).

Strategy and operations +

Market and trends +

Properties +

Sustainability +

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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/amortisation 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".

Where applicable the implicit interest rate based on agreements is 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 percent.

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 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 commercial 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 therefore not stated separately.

RIGHT-OF-USE ASSETS

MSEK	Site leaseholds	Premises	Vehicles	Other	Total
Opening balance, 1 Jan 2021	2,810	108	5	3	2,926
New leases/investments	—	—	2	2	4
Changed lease payment, term or interest rate	—	32	—	—	32
Divestments and disposals	—	—	0	—	0
Depreciation/amortisation	—	-25	-2	-2	-29
Exchange rate differences	104	2	0	0	106
Closing balance, 31 Dec 2021	2,914	117	5	3	3,039

Opening balance, 1 Jan 2022	2,914	117	5	3	3,039
New leases/investments	—	—	0	1	1
Changed lease payment, term or interest rate	-58	98	—	—	40
Divestments and disposals	-5	—	0	—	-5
Depreciation/amortisation	—	-27	-2	-2	-31
Exchange rate differences	163	11	0	0	174
Closing balance, 31 Dec 2022	3,014	199	3	2	3,218

LEASE LIABILITIES

MSEK	31 Dec 2022	31 Dec 2021
Current	31	22
Non-current	3,192	3,020
Total lease liabilities	3,223	3,042

RECOGNISED IN THE INCOME STATEMENT

MSEK	2022	2021
Financial expense for right-of-use assets ¹⁾	-95	-88
Depreciation/amortisation of right-of-use assets – within costs of Operator Activities and central administration	-31	-29

¹⁾ Of which site leasehold rents paid amount to MSEK 89 (84).

MATURITY ANALYSIS FOR LEASE LIABILITIES 2022

	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	14	18	29	73	3,091	3,223	3,223

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

H Group structure

H1 PARTICIPATIONS IN SUBSIDIARIES

PARENT COMPANY	31 Dec 2022	31 Dec 2021
MSEK		
Cost, opening balance	8,969	8,969
Acquisitions	474	—
Shareholder contributions provided	37	—
Divested subsidiaries	-555	—
Total accumulated cost	8,925	8,969
Impairment losses, opening balance	-1,487	-1,487
Impairment losses	-7	—
Accumulated impairment losses, closing balance	-1,494	-1,487
Closing balance	7,431	7,842

The Parent Company recognises shares in subsidiaries according to the cost method. Pandox AB has 42 directly owned companies as shown in the table below and through these owns a further 187 companies. A full list of all participations in subsidiaries is available from Pandox AB. In total the Group owns 78 companies in Sweden, 40 in Germany, 24 in the Netherlands, 19 in Norway, 17 in Finland, 13 in the UK, 12 in Denmark, 12 in Belgium, five in Canada, four in Ireland, three in Austria, 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
Fastighets AB Hotell Kramer	556473-6402	Stockholm, Sweden	1,000	100
Pandox Holding 1 AB	559386-3482	Stockholm, Sweden	25,000	100
Pandox Holding 2 AB	559386-3490	Stockholm, Sweden	25,000	100
Pandox Holding 3 AB	559386-3508	Stockholm, Sweden	25,000	100
Pandox Holding 4 AB	559386-3516	Stockholm, Sweden	25,000	100
Pandox Holding 5 AB	559386-3524	Stockholm, Sweden	25,000	100
Pandox Holding 6 AB	559386-3532	Stockholm, Sweden	25,000	100
Pandox Holding 7 AB	559386-3540	Stockholm, Sweden	25,000	100
Pandox Holding 8 AB	559386-3557	Stockholm, Sweden	25,000	100
Pandox Holding 9 AB	559386-3565	Stockholm, Sweden	25,000	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

cont.

Strategy and operations +

Market and trends +

Properties +

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Directly owned subsidiaries	Company reg. no.	Registered office	Number of shares	Share of capital/votes
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⁾
Immo Hotel BCC NV	0535.679.926	Belgium	68,070	100
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	2022	2021
MSEK		
Acquisition of hotel properties and other business entities		
Acquired assets and liabilities		
Investment properties	365	482
Operating properties	537	—
Deferred tax assets	11	—
Current receivables	12	—
Cash and cash equivalents	64	—
Total assets	989	482
Deferred tax	30	—
Current liabilities	19	—
Total liabilities	49	—
Purchase consideration:		
Purchase consideration paid	965	482
Less: Cash and cash equivalents in the acquired operations	-64	—
Effect on cash and cash equivalents	901	482
Divestment of subsidiaries and other business entities		
Divested assets and liabilities		
Investment properties	132	—
Current receivables	1	—
	133	—
Deferred tax	1	—
Current liabilities	4	—
Total liabilities	5	—
Selling price:		
Purchase consideration received	124	—
Effect on cash and cash equivalents	124	—

Reconciliation of liabilities arising from financing activities:

LIABILITIES TO CREDIT INSTITUTIONS	31 Dec 2022	31 Dec 2021
MSEK		
Opening balance	32,624	31,452
Cash flow	-791	108
Exchange rate differences	2,038	1,064
Liabilities, closing balance	33,871	32,624

Other items not included in cash flow

MSEK	2022	2021
Accrual accounting of loan arrangement fees	76	77
Provisions	-18	-76
Acquisition-related items	—	-1
Capitalised interest	-1	-6
Impairment losses	—	10
Translation differences	94	66
Other	-6	-7
Total other items not included in cash flow	145	63

Strategy and operations	+
Market and trends	+
Properties	+
Sustainability	+
Governance	+
Financial	-
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J Parent Company accounting principles and supplementary disclosures

Strategy and operations +

Market and trends +

Properties +

Sustainability +

Governance +

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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 separately 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 in 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	2022	2021
Liabilities to credit institutions due within 12 months	1,256	4,585
Liabilities to credit institutions due in 1–4 years	6,036	3,677
Liabilities to credit institutions due in 5 years or later	—	—
Total current and non-current liabilities¹⁾	7,292	8,262

¹⁾ Arrangement fees of MSEK -23 (-10) have reduced interest-bearing liabilities in the balance sheet.

J3 APPROPRIATION OF PROFIT

At the disposal of the Annual General Meeting:

Retained earnings	9,020,567,874
Profit for the year	2,268,001,980
SEK	11,288,569,854
The Board proposes that the earnings be allocated as follows:	
Dividend to shareholders, SEK 2.50 per share	459,624,998
Carried forward	10,828,944,857
SEK	11,288,569,854

Strategy and operations	+
Market and trends	+
Properties	+
Sustainability	+
Governance	+
Financial	-
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K Events after the closing day

K1 EVENTS AFTER THE CLOSING DAY

On 1 February 2023 the divestment of the InterContinental Montreal was completed. In January 2023 Pandox received compensation for the Dorint Parkhotel Bad Neuenahr, the property affected by flooding in 2021. The compensation covers the costs that Pandox incurred and the damage caused by the flood. In 2023 Pandox AB (publ) has acquired and taken over The Queens Hotel in central Leeds, UK, as an operating property.

No other events or transactions of significance have taken place since 31 December 2022 that affect the financial statements provided for the Pandox Group for the 2022 financial year.

L Related party transactions

L1 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. Conflicts of interest affecting the Board of Directors are dealt with prior to each board meeting by analysing whether any item on the agenda could involve a conflict of interests. If so, the minutes of the meeting will record how the conflict of interest in question is being managed, e.g. a Board member declares an interest and therefore does not participate in the discussion or item concerned.

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 2022, revenue from Pelican Bay Lucaya amounted to MSEK 0.8 (0.6).

Parent Company

The Parent Company's fees for central administrative services from Group companies during the year amounted to MSEK 77 (146). 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 2022	31 Dec 2021
Central administration costs	77	146
Interest income from subsidiaries	516	344
Interest paid to subsidiaries	-81	-29
Receivables from related parties	15,330	14,069
Liabilities to related parties	3,631	3,495
Group contributions received	331	242
Group contributions provided	-307	-70

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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 2022.

Stockholm, 6 March 2023

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 auditors' report in respect of this annual report and the consolidated accounts was submitted on 7 March 2023.

PricewaterhouseCoopers AB

Patrik Adolfson
*Authorised Public Accountant
Auditor-in-charge*

Linda Andersson
Authorised Public Accountant

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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 2022. The annual accounts and consolidated accounts of the company are included on pages 140–188 in this document. This does not include the pages not covered by those listed here to which reference is made in the administration report or other parts of the formal annual report. In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2022 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 2022 and its financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. 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 establishing materiality and assessing the risks of material misstatement in the 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 annual financial statements and 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.

Pandox is a property company specialising in hotels with operations throughout the world and with a hotel portfolio that has a market value of MSEK 69,231. 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. Since restrictions associated with the Covid-19 pandemic were eased, demand in the hotel market has been strong. The percentage of rents that were revenue-based has thereby increased to 31% (around 15% in 2021). The

strong hotel market has also increased operator activities to 42% (around 26% in 2021). As a result of this the main focus of our audit, and also our key audit matters, were valuation of hotel properties measured at fair value (investment properties) and measurement of revenue-based rents. Among other things, our audit has also focused in particular on liquidity, financing requirements and financial covenants, recognition of government relief programmes, measurement of trade accounts receivable and assessment of risk for disputes related to tenants.

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 2022 with the executive management team and audit committee.
- Review of the closing accounts as of 30 September 2022 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 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 visits and meetings involving operations in Belgium, the Netherlands and the UK. This was done in order to become familiar with the operations of the entities visited and to understand the routines

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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 and focus of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance of 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 financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including for the financial reporting as a whole. These, together with qualitative considerations, helped us to determine the focus and 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 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 the annual accounts and consolidated accounts as a whole, and in forming our opinion thereon, 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 summary of general accounting and valuation principles in Note B1 and Note E1 Investment properties.

The value of the hotel properties as of 31 December 2022 was MSEK 65,552 (of which investment properties MSEK 57,563). 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 2022, 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 according to business plans that are updated at least twice a year are discounted by a valuation yield based on transactions in the market and other assessments, current contracts and other market conditions and which is compared to the valuation yield used by external property appraisers for the corresponding property.

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.

There is an inherent uncertainty associated with the development of the hotel market as well as the economy in general, making it more difficult to estimate future cash flows and valuation yields for Pandox's hotel properties. 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 2022 year-end accounts. Our audit procedures included the following:

- The group audit team, including our valuation specialists, obtained and reviewed 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 judgments 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 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.
- We compared disclosures included in the annual report against the requirements in IFRS 13.

The valuations are based on judgments and are by nature associated with inherent uncertainty. 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
Revenue-based rental income

See Note C2 on rental income and accounting principles for disclosures and descriptions of this audit matter.

Pandox's rental income consists to a large extent of revenue-based rent. The rent charged is based on the sales reported by the tenants. Pandox has routines and control procedures to ensure that the sales reported are correct. The leases are in place for a number of years and the business model for hotel operation may over time be affected by the creation of new sales channels or the addition of various services at the hotels or in the offering etc. This audit matter includes judgments concerning contract interpretation in certain cases, as well as judgments concerning the control the group exercises with respect to the tenants' reporting. As the revenue-based rents make up a greater portion of the total rental income and there is the element of dependence on external information received and used to determine this revenue, this is a key audit matter in our audit.

How our audit addressed the key audit matter

Our audit is based on an evaluation of internal control as well as substantive testing and other analysis procedures, including data-based transaction analysis, of some balance sheet and income statement items of significant subsidiaries, on a random sample basis. Other audit procedures we performed include the following:

- We evaluated Pandox's routines for managing significant revenue flows.
- We studied leases and examined how Pandox as a lessor interprets various parts of the agreements as a basis for invoicing and reporting.
- We developed an understanding of and studied the control procedures employed by Pandox with respect to the tenants' reporting. We also read and familiarised ourselves with the control procedures through external scrutiny which Pandox, according to the leases, performs annually by examining leases at random to ensure that invoicing and revenue recognition are correct.
- On a random sample basis, we examined the invoicing routines and invoices against supporting documents and we determined, through counter-checking, that the correct revenue-based rents were being reported.
- We also performed an analytical review to assess revenue recognition, and obtained Pandox's analysis and explanations of rental income outcomes in order for us to develop an understanding of revenue recognition control procedures, and through analysis create an understanding of revenue recognition itself.
- We examined information and disclosures provided in the annual report.

Based on our audit, we have no significant observations to report to the audit committee.

Other information than the annual accounts and consolidated accounts

This document also contains information other than the annual accounts and consolidated accounts, and this information is found on pages 1–139 and on pages 194–201. Information included in the "Pandox Remuneration Report 2022", which is published on the company's website at the same time as this report and which we obtained prior to the date of this auditors' report, also constitutes other information. The board of directors and the managing director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolida-

ted accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the board of directors and the 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 and the Annual Accounts Act. 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 have no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the board of directors' responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a

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whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 (in Swedish) on the website of the Swedish Inspectorate of Auditors (Revisorsinspektionen) at www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditors' report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The auditor's examination of the administration of the company and the proposed appropriation 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 directors and the managing director of Pandox AB (publ) for the year 2022 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the board of directors and the 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 directors 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's equity, consolidation requirements, liquidity and position in general.

The board of directors is responsible for the company's organisation and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organisation is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The 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 fulfil 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 and 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 a 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 (in Swedish) on the website of the Swedish Inspectorate of Auditors (Revisorsinspektionen) at www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditors' report.

The auditor's examination of the Esef report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we also examined whether 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 2022.

Our examination and our opinion relate only to the statutory requirement.

In our opinion, the Esef report 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

Strategy and operations	+
Market and trends	+
Properties	+
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Governance	+
Financial	-
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responsibility under this recommendation is described in more detail in the Auditor's responsibilities 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 directors and the managing director

The board of directors and the managing director are responsible ensuring that the Esef report has been prepared in accordance with 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.

Auditor's responsibilities

Our responsibility is to form an opinion with reasonable assurance as to 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 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. Misstate-

ments 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 [and consolidated] 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 material 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 validation of whether the Esef report has been prepared in a valid XHTML format 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 group's income statement, balance sheet, statement of changes in equity and statement of cash flows as well as the notes in the Esef report have been marked with iXBRL in accordance with the Esef Regulation.

PricewaterhouseCoopers AB, with Patrik Adolfson as the auditor-in-charge, was appointed auditor of Pandox AB (publ) by the general meeting of shareholders on 12 April 2022 and has been Pandox AB's auditor since 29 March 2017.

Stockholm, 7 March 2023
PricewaterhouseCoopers AB

Patrik Adolfson
Authorised Public Accountant
Auditor-in-charge

Linda Andersson
Authorised Public Accountant

Multiyear summary

Pandox is applying IFRS 16 Leases from 2019 onwards. Comparative figures have not been restated.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Figures in MSEK	2022	2021	2020	2019	2018	2017	2016	2015	2014
Revenue, Property Management									
Rental income	3,052	2,279	2,228	3,017	2,809	2,121	1,717	1,431	1,418
Other property revenue	255	143	171	112	162	81	70	112	60
Revenue, Operator Activities	2,347	851	779	2,424	2,153	2,067	2,158	2,046	1,598
Net sales	5,654	3,273	3,178	5,553	5,124	4,269	3,945	3,589	3,076
Costs, Property Management	-439	-395	-381	-365	-454	-321	-292	-263	-292
Costs, Operator Activities	-2,111	-1,151	-1,182	-1,993	-1,776	-1,743	-1,866	-1,767	-1,387
Gross profit	3,104	1,727	1,615	3,195	2,894	2,206	1,787	1,559	1,397
Central administration	-153	-157	-171	-175	-148	-124	-117	-94	-82
Net financial items	-1,003	-940	-900	-865	-803	-519	-456	-438	-536
Financial expense for right-of-use assets	-95	-88	-86	-81	—	—	—	—	—
Profit before changes in value	1,853	542	458	2,074	1,943	1,563	1,214	1,027	779
<i>Changes in value</i>									
Properties	1,180	-396	-1,779	1,459	1,495	1,914	1,460	1,399	1,197
Derivatives, unrealised	2,318	740	-221	-39	25	173	-39	203	-622
Profit before tax	5,351	886	-1,542	3,494	3,463	3,650	2,635	2,629	1,354
Current tax	-164	-128	-57	-122	-216	-73	-72	-35	-16
Deferred tax	-983	-149	191	-672	-424	-429	-349	-463	-85
Profit for the year	4,204	609	-1,408	2,700	2,823	3,148	2,214	2,131	1,253
Other comprehensive income for the year	1,323	740	-1,010	46	465	-185	359	-291	-3
Comprehensive income for the year	5,527	1,349	-2,418	2,746	3,288	2,963	2,573	1,840	1,250

KEY RATIOS

Figures in MSEK	2022	2021	2020	2019	2018	2017	2016	2015	2014
Net operating income, Property Management	2,868	2,027	2,018	2,764	2,517	1,882	1,495	1,280	1,186
Net operating income, Operator Activities	566	-22	-168	625	540	494	439	416	320
EBITDA	3,304	1,868	1,699	3,215	2,909	2,252	1,817	1,603	1,425
Interest coverage ratio, times	3.7	2.1	2.0	4.1	3.8	4.4	4.0	3.6	2.6
Earnings per share, SEK	22.94	3.32	-7.61	15.91	16.83	19.89	14.65	14.21	8.35
Cash earnings	2,056	713	669	2,167	1,890	1,652	1,284	1,122	860
Cash earnings per share, before and after dilution, SEK	11.18	3.88	3.59	12.71	11.30	10.52	8.18	7.53	5.82
RevPAR (operating properties) for comparable units and comparable exchange rates	811	295	222	904	873	806	657	684	644

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Figures in MSEK	31 Dec 2022	31 Dec 2021	31 Dec 2020	31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014
Assets									
Properties including FF&E	65,552	60,246	57,555	60,558	52,949	48,217	36,578	29,463	25,701
Right-of-use assets	3,218	3,039	2,926	3,064	—	—	—	—	—
Other non-current assets	2,521	522	268	151	43	37	23	25	26
Deferred tax assets	305	249	631	383	465	613	748	800	924
Current assets	1,991	1,152	813	1,025	885	1,871	563	1,162	315
Cash and cash equivalents	1,630	1,593	2,622	632	674	999	517	170	321
Total assets	75,217	66,801	64,815	65,813	55,016	51,737	38,429	31,620	27,287
Equity and liabilities									
Equity	30,933	25,422	24,088	26,506	21,538	19,027	15,258	12,215	10,402
Deferred tax liabilities	5,538	4,281	4,307	4,552	3,430	3,026	2,582	2,281	1,993
Interest-bearing liabilities	33,871	32,623	31,452	29,621	27,917	26,298	18,841	15,546	12,907
Lease liabilities	3,223	3,042	2,928	3,064	—	—	—	—	—
Non-interest-bearing liabilities	1,652	1,433	2,040	2,070	2,131	3,386	1,748	1,578	1,985
Total equity and liabilities	75,217	66,801	64,815	65,813	55,016	51,737	38,429	31,620	27,287

KEY RATIOS

Figures in MSEK	31 Dec 2022	31 Dec 2021	31 Dec 2020	31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014
Net interest-bearing debt, MSEK	32,334	31,159	29,007	29,191	27,421	25,474	18,324	15,376	12,587
Loan-to-value ratio, properties, %	46.7	49.8	48.7	46.0	49.7	50.8	47.9	49.5	48.7
Market value properties, MSEK	69,231	62,596	59,542	63,469	55,197	50,121	38,233	31,437	26,504
EPRA NRV per share, SEK	205.03	173.54	167.60	186.40	164.04	144.54	126.24	107.71	92.11
WAULT (investment properties), years	15.0	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 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Revenue, Property Management								
Rental income	803	886	761	602	606	617	541	515
Other property revenue	45	81	97	32	42	35	27	39
Revenue, Operator Activities	775	706	624	242	326	287	146	92
Net sales	1,623	1,673	1,482	876	974	939	714	646
Costs, Property Management	-150	-101	-97	-91	-106	-99	-98	-92
Costs, Operator Activities	-732	-578	-449	-352	-373	-334	-203	-241
Gross profit	741	994	936	433	495	506	413	313
Central administration	-59	-28	-34	-32	-52	-31	-37	-37
Net financial items	-289	-248	-236	-230	-227	-242	-239	-232
Financial expense for right-of-use assets	-26	-24	-22	-23	-21	-23	-23	-21
Profit before changes in value	367	694	644	148	195	210	114	23
<i>Changes in value</i>								
Properties, unrealised	-67	585	388	279	97	-9	-105	-351
Properties, realised	1	-13	7	—	-16	-6	—	-6
Derivatives, unrealised	-59	815	632	930	187	202	24	327
Profit before tax	242	2,081	1,671	1,357	463	397	33	-7
Current tax	-24	-48	-59	-33	-78	-15	-23	-12
Deferred tax	-117	-346	-240	-280	-127	-61	-16	55
Profit for the period	101	1,687	1,372	1,044	258	321	-6	36
Other comprehensive income	308	341	455	219	238	128	-258	632
Comprehensive income for the period	409	2,028	1,827	1,263	496	449	-264	668

KEY RATIOS

Figures in MSEK	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Net operating income, Property Management	698	866	761	543	542	553	470	462
Net operating income, Operator Activities	184	193	238	-49	26	22	10	-80
EBITDA	829	1,037	970	467	521	550	447	350
Interest coverage ratio, times	3.1	4.8	4.7	2.2	2.5	2.5	2.0	1.6
Earnings per share, SEK	0.66	9.16	7.45	5.67	1.41	1.73	-0.04	0.22
Cash earnings	515	717	645	178	196	266	161	90
Cash earnings per share, before and after dilution, SEK	2.80	3.90	3.51	0.97	1.07	1.45	0.88	0.49
RevPAR growth (Operator Activities) for comparable units and comparable exchange rates, %	113	140	370	232	319	92	103	-81

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Figures in MSEK	31 Dec 2022	30 Sep 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Sep 2021	30 Jun 2021	31 Mar 2021
Assets								
Properties including FF&E	65,552	64,712	62,832	61,120	60,246	58,975	58,553	59,057
Right-of-use assets	3,218	3,383	3,222	3,155	3,039	3,009	2,975	3,016
Other non-current assets	2,521	2,649	1,878	1,226	522	514	500	423
Deferred tax assets	305	239	262	55	249	488	529	502
Current assets	1,991	1,859	1,267	1,189	1,152	1,086	939	893
Cash and cash equivalents	1,630	2,463	1,873	1,477	1,593	1,494	2,712	2,610
Total assets	75,217	75,305	71,334	68,222	66,801	65,566	66,208	66,501
Equity and liabilities								
Equity	30,933	30,540	28,512	26,685	25,422	24,941	24,492	24,756
Deferred tax liabilities	5,538	5,287	4,918	4,415	4,281	4,319	4,275	4,293
Interest-bearing liabilities	33,871	34,478	33,242	32,710	32,623	31,747	32,724	32,735
Lease liabilities	3,223	3,387	3,226	3,158	3,042	3,011	2,977	3,018
Non-interest-bearing liabilities	1,652	1,613	1,436	1,254	1,433	1,548	1,740	1,699
Total equity and liabilities	75,217	75,305	71,334	68,222	66,801	65,566	66,208	66,501

KEY RATIOS

Figures in MSEK	31 Dec 2022	30 Sep 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Sep 2021	30 Jun 2021	31 Mar 2021
Net interest-bearing debt, MSEK	32,334	32,119	31,472	31,345	31,159	30,387	30,159	30,288
Loan-to-value ratio, properties, %	46.7	47.1	47.8	49.1	49.8	49.6	49.7	49.5
Market value properties, MSEK	69,231	68,257	65,804	63,808	62,596	61,255	60,696	61,161
EPRA NRV per share, SEK	205.03	203.00	190.40	178.30	173.54	171.49	168.97	170.38
WAULT (investment properties), years	15.0	15.2	15.4	13.8	14.0	14.2	14.1	14.4

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FINANCIAL INFORMATION

Average interest on debt, %

Average interest expense based on interest rate maturity in respective currencies as a percentage of interest-bearing liabilities.

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 and minority interests.

EBITDA, MSEK

Total gross profit less central administration (excluding depreciation).

EPRA LTV, %

Loan-to-value ratio, net, adjusted for net operating receivables/operating liabilities.

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.

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.

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.

Investments, excl. acquisitions, MSEK

Investments in non-current assets excluding acquisitions.

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.

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.

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.

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.

Rounding off

Since amounts have been rounded off in MSEK, the tables do not always add up.

► Financial definitions, cont.

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PER SHARE

Cash earnings per share, SEK

Cash earnings 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.

Earnings per share, SEK

Profit for the period attributable to the Parent Company's shareholders 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.

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

Market value properties, MSEK

Market value of investment properties plus market value of operating properties.

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.

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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The Pandogs

The Pandogs are Pandox'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.

Pandox'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 Pandox is a lean organisation filled with a spirit of entrepreneurship where everyone helps out and every employee is vital. Pandox 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.



Pepper
Mixed breed
Eternally young

➤ Find out more about the dogs on our website pandox.se.

Image on front cover: NH Collection Salzburg City
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Knut
Golden retriever
Age: 3 years



Sally
Gordon setter
Age: 2.5 years



Stella
Yorkshire terrier
Age: 5.5 years



Caesar
Cavapoo
Age: 2 years



Dexter
Norfolk terrier
Age: 7.5 years



Blum
Mixed breed
Age: 2.5 years

Strategy and operations +

Market and trends +

Properties +

Sustainability +

Governance +

Financial +

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