



Annual and Sustainability Report 2020



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About the annual report

Pages 13–47 constitute the statutory sustainability report and pages 50–112 constitute the statutory annual report, which have been audited.

This Annual and Sustainability Report is an English translation of the Swedish original. In the event of any discrepancies, the Swedish version shall govern.



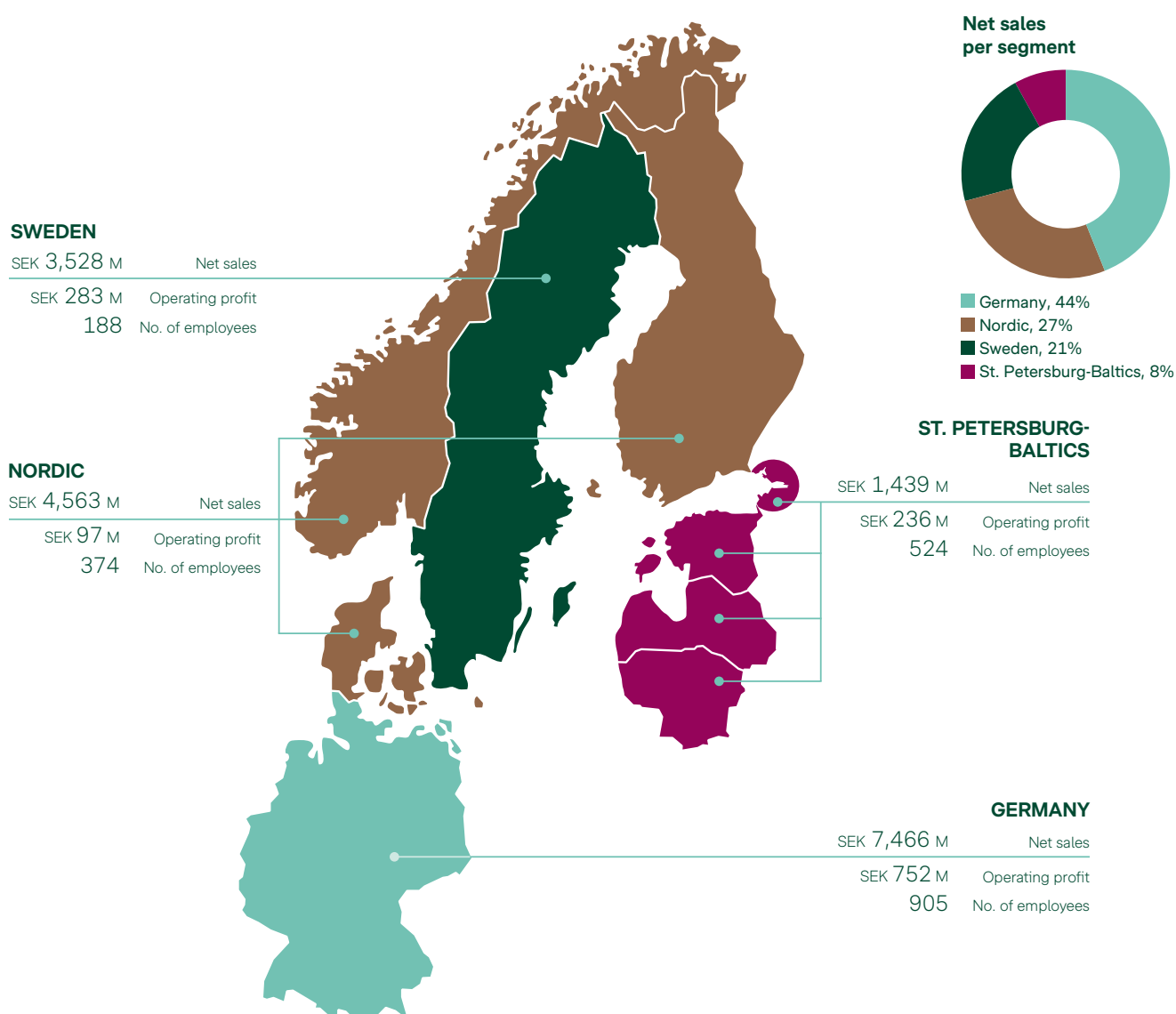
Read more about Bonava and the past year in our 2020 Annual Review on the web and at [bonava.com](https://www.bonava.com)





Leading residential developer in northern Europe

Not only does Bonava build homes, we also create neighbourhoods where people have the highest quality of life. With our broad product portfolio, we meet the needs of both consumers and investors. We offer apartments and single-family homes to consumers, and rental apartments to investors. With our 2,100 employees, Bonava has operations in Germany, Sweden, Finland, Denmark, Norway, St. Petersburg, Estonia, Latvia and Lithuania. Bonava's share and green bond are listed on Nasdaq Stockholm.



9
COUNTRIES

23
REGIONS

2,100
EMPLOYEES

17
SEK BN SEK
NET SALES

Our strengths



Drive sustainable change

We develop value-creating, affordable living environments for the many that enable a sustainable, active and social lifestyle in resource-efficient buildings.



Broad geographic reach

We operate in carefully selected regional markets with favourable conditions for growth, where we aim to be one of three largest players.



Customer-insight-driven business model

We develop relevant offerings based on data-driven customer insights and become more cost efficient through the industrialisation and digitalisation of our processes.



Balanced product portfolio

Our project portfolio is diversified in terms of geography, types of tenure and products, and our offering is targeted at both consumers and investors.



Financial resilience

Along with the cash flow from our operations, our strong capital structure provides us with financial resilience and enables us to invest in our future value creation.

2020 in brief

Despite a dramatic year across the world, the housing market displayed a strong trend, which benefited Bonava. Net sales increased, and we delivered, sold and started more new projects during the year. Having halved the company's net debt, Bonava is entering 2021 with a strong financial position that will create scope for growth.

Key performance indicators

SEK M (unless otherwise stated)	2020	2019	2018
Net sales	16,997	15,474	14,008
Operating profit ¹⁾	1,121	1,202	1,654
Operating margin, % ¹⁾	6.6	7.8	11.8
Profit after financial items	999	834	1,513
Profit for the period after tax	733	615	1,265
Earnings per share adjusted for items affecting comparability, SEK ²⁾	6.82	7.54	11.74
Earnings per share, SEK ²⁾	6.82	5.71	11.74
Cash flow before financing	3,662	-138	-764
Net debt	3,311	6,873	5,542
Capital employed at end of period	12,641	14,933	13,332
Return on capital employed, % ¹⁾	7.9	8.1	12.8
Equity/assets ratio, %	34.6	32.1	34.9
Dividend, SEK per share ³⁾	5.25	0.00	5.20
Number of housing units sold in the period	5,568	5,162	6,009
Sale value of housing units sold	16,852	14,477	14,919
Number of housing starts in the period	5,710	4,451	6,478
Number of housing units in production at end of period	9,769	9,732	10,712
Sales rate for housing units in ongoing production, %	70	72	68
Value of sold housing units, not yet recognised in profit, SEK Bn	20.4	21.1	21.1
Number of housing units recognised in profit in the period	5,814	5,511	5,225

¹⁾ Excluding items affecting comparability.

²⁾ Before and after dilution.

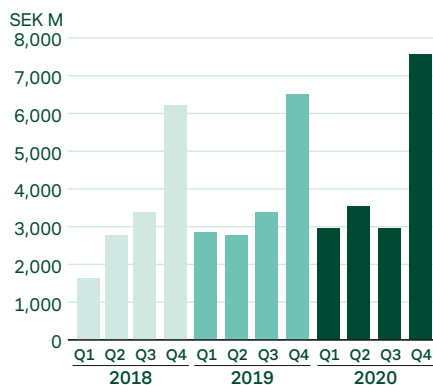
³⁾ Dividend 2020 refers to the Board's proposal to the AGM.

5,710 
Housing units started

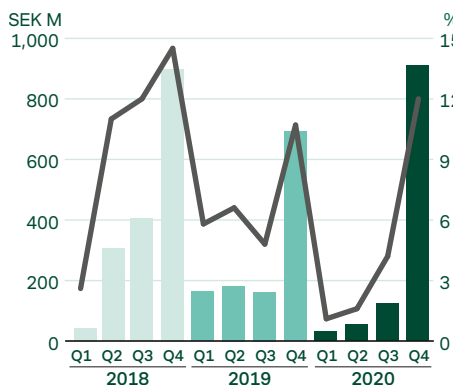
5,568 
Housing units sold

5,814 
Housing units recognised in profit

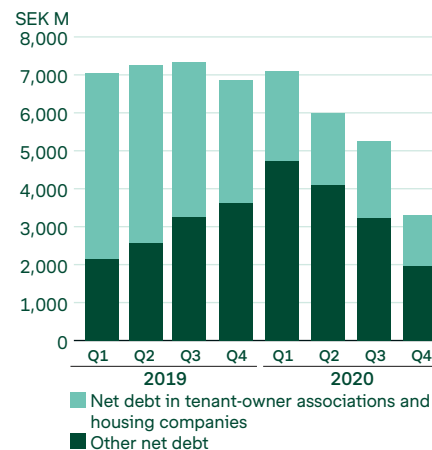
Net sales per quarter



Operating profit and operating margin per quarter



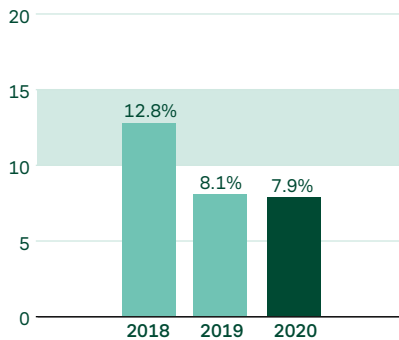
Net debt per quarter



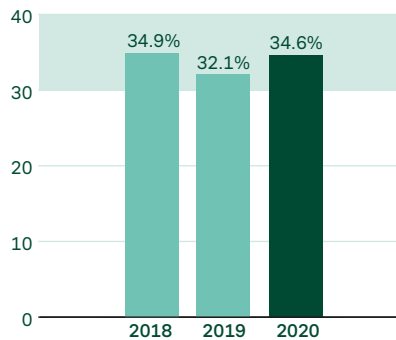
2020 in brief

Financial targets

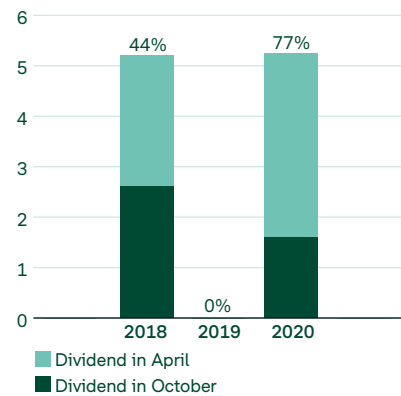
Return on capital employed, %
Target: 10–15%



Equity/assets ratio, %
Target: >30%



Dividend policy, %
Target: >40 per cent of profit after tax



The AGM resolved that no profit would be distributed for 2019 due to the uncertainty caused by COVID-19.

Operational and sustainability targets

TARGET	TARGET 2020	Outcome 2020	Outcome 2019	Outcome 2018
Affordable housing	Half of our housing starts will be in the affordable segment.	54%	57%	61%
Green offering	At least half of our housing starts will be ecolabelled in markets where Nordic Swan ecolabelling or Green Zoom apply.	64%	54%	45%
Climate action	Our greenhouse gas (GHG) emissions are to be reduced in line with approved science-based targets. Read more about the scopes on page 26. Own organisational control (Scope 1 and 2) Value chain (Scope 3)	GHG emissions compared with 2018 Scope 1-2: -24% Scope 3: -10%	Targets established and approved by the SBTi	Survey of base year
Passionate workplace	Our already high results for employee engagement are to be maintained or improved, based on our benchmark index (benchmark).	84 (79)	84 (77)	Target established in 2019
Zero harm	Our safety culture is to be improved and the risk of accidents reduced in accordance with our extensive Zero Harm programme.	98%	100%	99%

Strong conclusion to a year unlike any other

2020 was marked by abrupt changes as a consequence of the pandemic and an increased focus on people's living situation. Demand fell in the spring, only to recover during the summer and then increase in the autumn. Despite closures and the prevailing restrictions, we successfully delivered, sold and started more housing units. At the same time as uncertainty prevails around extended closures, Bonava has the tools and procedures to maintain and prioritise both its production and its customers.

Bonava had a strong finish to the year; net sales increased 10 per cent year-on-year. Operating profit before items affecting comparability was somewhat lower at SEK 1,121 M (1,202). A provision for the completed housing units in Germany that were delivered in 2000 had a negative impact on operating profit of SEK 67 M and on the operating margin of 0.4 percentage points. Net debt was halved, and Bonava is entering 2021 with a strong financial position that will create scope for growth.

Stable development in Germany

Demand was high, and sales prices and rental levels increased year-on-year. Restrictions as a result of the pandemic resulted in longer processing times for building permits and delays to project starts. Despite the delays, Bonava started approximately 20 per cent more housing units than in 2019. Net sales increased due to higher average prices and to more housing units being recognised in profit. Operating profit was lower as a consequence of lower project margins during the first half of the year and the provision for completed housing units that were delivered in 2000.

More project starts in Sweden

Demand for housing units was favourable, and prices in the Swedish housing market rose during the year. An increased focus on people's living situation resulted in a higher level of activity, with 77 per cent more housing starts. The number of housing units

delivered increased, but net sales decreased owing to lower land sales year-on-year. Excluding land sales, operating profit increased as a result of higher project margins in projects for investors.

More housing starts and housing units sold in the Nordics

Our other Nordic markets were relatively stable during the year. We kept a healthy level of production starts, and the number of housing units sold increased 36 per cent. Land sales enabled higher net sales year-on-year while operating profit improved. The restructuring in Finland was carried out according to plan, and the project margins strengthened at the same time as we continued to focus on improved procedures for production and governance.

Improved profitability in St Petersburg-Baltics

Despite the pandemic and severe restrictions, the housing market in St. Petersburg was stable and our Baltic markets recovered well during the second half of the year. The number of housing starts increased 11 per cent, of which several major projects were started at the end of the year. Net sales increased, and operating profit strengthened as more housing units with higher project margins were delivered.

➤ Read more about the Group's and the segments' performance on pages 50–54.

Significant events during the year

• Turnaround in Finland

The restructuring of our Finnish operation commenced at the beginning of the year, and measures were taken according to plan, thus having a positive impact on operating profit. Our organisation is now more focused on efficient production and control of our projects with continued potential for improvement. The restructuring entailed a non-recurring cost of SEK 159 M in the fourth quarter of 2019.

• Adapting to the pandemic and accelerated digitalisation

The COVID-19 pandemic impacted our nine markets in different ways, and the efforts to adapt our operations based on prevailing local restrictions have been intense. We were highly successful in maintaining both production and delivery of housing units, and our accelerated digitalisation created new channels to interact with our customers based on their needs.

• Green financing and investments

In March, a green financing framework was established that describes how our investments lead to greater resource efficiency and a smaller climate impact. In September, our first green bond was issued, attracting considerable interest.

• Significant interest in projects for investors

There was significant interest in investing in affordable rental housing projects during the year. Investor transactions were conducted in Germany, Sweden, Finland, Norway and Denmark at a total sales value of approximately SEK 4.4 Bn (2.4).

• New markets – Oslo and Vilnius

In Norway, we are already one of the largest residential developers in Bergen, and we established our operations in Oslo during the year, where we have now started several projects and acquired land for additional housing units. At the end of the year, we broadened our presence in the Baltic region to include Vilnius, the capital of Lithuania, where our first project has now been started and a local organisation is being established.



➤ Read more about events per segment in our Annual Review on the web.

High level of ambition for long-term value generation

Peter Wallin has been President and CEO of Bonava since 1 February 2021. Peter was attracted by the opportunity to develop sustainable housing units for more satisfied customers. He is now looking forward to leading Bonava's committed and professional team toward continued growth and profitability in all sections of the Group.

What drew you to the CEO job at Bonava?

Bonava is an exciting company in an industry that I'm truly passionate about: building and developing solutions for tomorrow's society. With over 25 years in the construction and project development industry – much of this time at Skanska – I have worked both as a CFO as well as in all areas of operation related to project management, involving everything from housing units to commercial properties and infrastructure.

What I am most driven by is the importance of people, and what we can achieve together as a team. Competent people create successful projects, and Bonava's operations are the sum total of all these projects and people. For me, leading this committed and professional team is a fantastic opportunity.

How did the pandemic impact Bonava during the year?

The pandemic has really meant a major challenge for our organisation. We have worked intensely throughout the Group to maintain production and delivery of housing units within the promised time frame, with the safety of our employees and customers as our highest priority. This would not have been possible without the outstanding efforts of all our employees, and we were helped by how far we've come with our digitalisation.

Even though I was not the CEO of Bonava in 2020, I would like to extend my sincere thanks for all the fantastic work that made this possible. At the same time, the pandemic has entailed an increased focus on our living conditions and our homes as regards size and functionality, safety and well-being. People are also more inclined to invest in their homes. Here, I see a great deal of potential for us to leverage this driver and further develop Bonava's offerings based on customer needs.

What are your thoughts on Bonava's sustainability agenda?

The focus on long-term, sustainable value creation for customers, employees, investors and society as a whole has clearly increased. Of course, it is positive that Bonava has a clear and ambitious sustainability agenda and that we are fulfilling our commitments under the UN Global Compact and promoting the UN Sustainable



Development Goals. The sustainability agenda guides our efforts to succeed with our strategy over time and achieve our targets, while also upholding our core values. Among other goals, Bonava strives to achieve a balance where, through increased resource efficiency, we can deliver affordable homes and create sustainable housing environments for the many without overusing global resources.

It is also important that we work toward making Bonava an even safer workplace by imposing more stringent requirements on ourselves. At the same time, Bonava must also be an engaging and inclusive employer.

What will be in focus for 2021?

For my part, it will initially be about listening, meeting people and getting to know the operations. The main goal, of course, is to hone Bonava's business with a focus on increased profitability and balanced growth.

I place great value on a decentralised organisation, close to our customers, which means we can quickly adapt based on market conditions. At the same time, I see a need to clarify what Bonava is for our customers, our employees and our owners. That is why it is important to have a shared picture of our path forward – for example, how we plan to develop our offering and meet our customers' needs.

These are a few of the areas I look forward to developing together with all my competent colleagues at Bonava, and I am convinced that we have strong conditions for creating long-term value.

Peter Wallin, President and CEO

How we create value

We build homes and neighbourhoods based on a genuine understanding of our customers' needs and driving forces, and we respect the limitations of our planet. We do this with care and respect for everyone who works on our projects. That is how we build long-term value.



#1

Most active
residential developer
in Germany

54%

Share of housing
starts in the
affordable segment

33

Net Promoter
Score

Homes for the many in happy neighbourhoods

Bonava develops homes that more people can afford to buy and live in. Our goal is that half of the homes we build will belong to the affordable segment. The other half will mainly target the core segment. Based on customer insights, we methodically develop value-creating living environments that enable a sustainable, active and social lifestyle in resource-efficient buildings.

#2

Most engaged
employees
– Brilliant Future

#16

AllBright's
Green List

98%

Zero Harm

Passionate workplace

Building a winning corporate culture and living by our values are key parts of Bonava's purpose. Our knowledge, experience and culture are a strength when working to create labour conditions that support our values, are inclusive and where no one will be harmed. We want every employee, and all other colleagues who work for us and in our projects, to feel committed and passionate about how we work with the best interests of our customers and Bonava in mind.

2,860New audited
supplier agreements**184**MSEK, Tax paid
in 2020**CDP**Top ranking for Bonava's
supplier engagement
in the area of climate
impact reduction

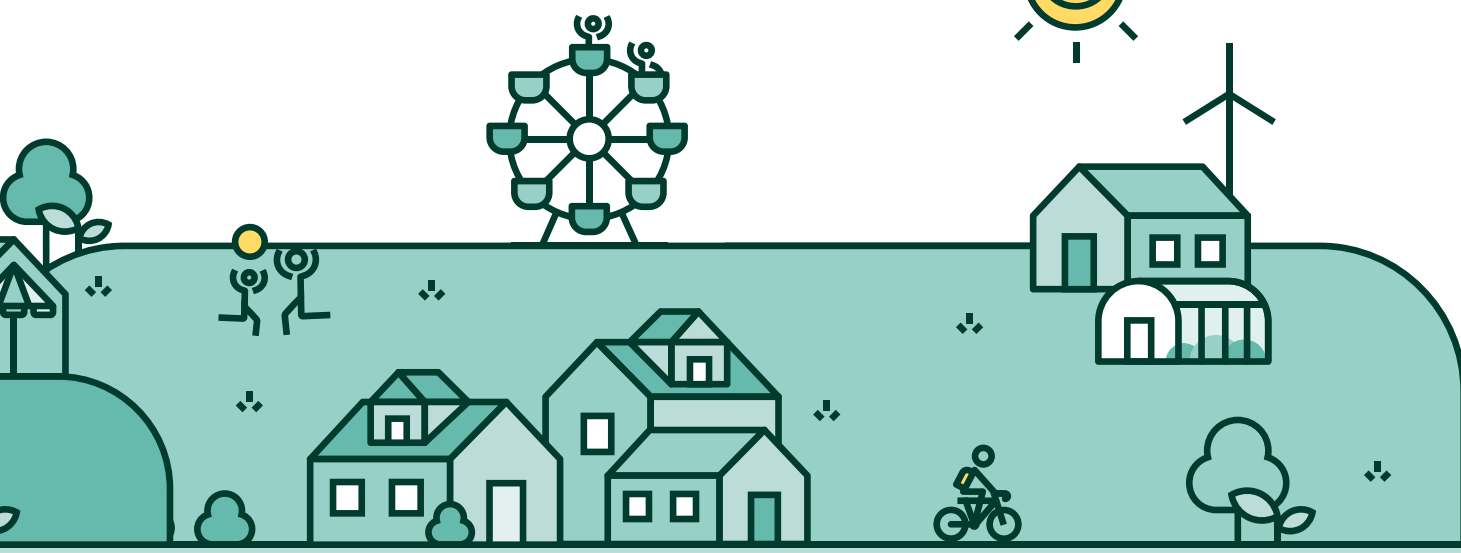
Reliable business

We contribute to an honest and transparent community with the highest standard of business ethics. Anti-corruption and sustainable working conditions are important pillars and focus areas for us, both internally and throughout our supply chain. We are proud members of the UN Global Compact. We also require that our suppliers certify that they are meeting fundamental principles in the areas of human rights, labour, environment and anti-corruption.

SBTiFirst residential developer
with approved climate
targets based on
the 1.5°C goal**A-**Raised score in the
Carbon Disclosure
Project (B)**100%**Ecolabelled housing
starts in Sweden,
Denmark and
St. Petersburg

Protecting our planet

At Bonava, we protect local communities and the climate in every step of our value chain. We work with environmentally certified buildings in several markets. We increase resource efficiency and strive for a circular production model and use of land that strengthens climate change resilience. By meeting the climate target requirements of the SBTi, we ensure that our activities help to fulfil the Paris Agreement.

**1 Bn**SEK, Green bond
issued**5.25**SEK, Proposed
dividend per share
for 2020**AA**Raised ranking in
MSCI ESG (A)

Sustainable investment

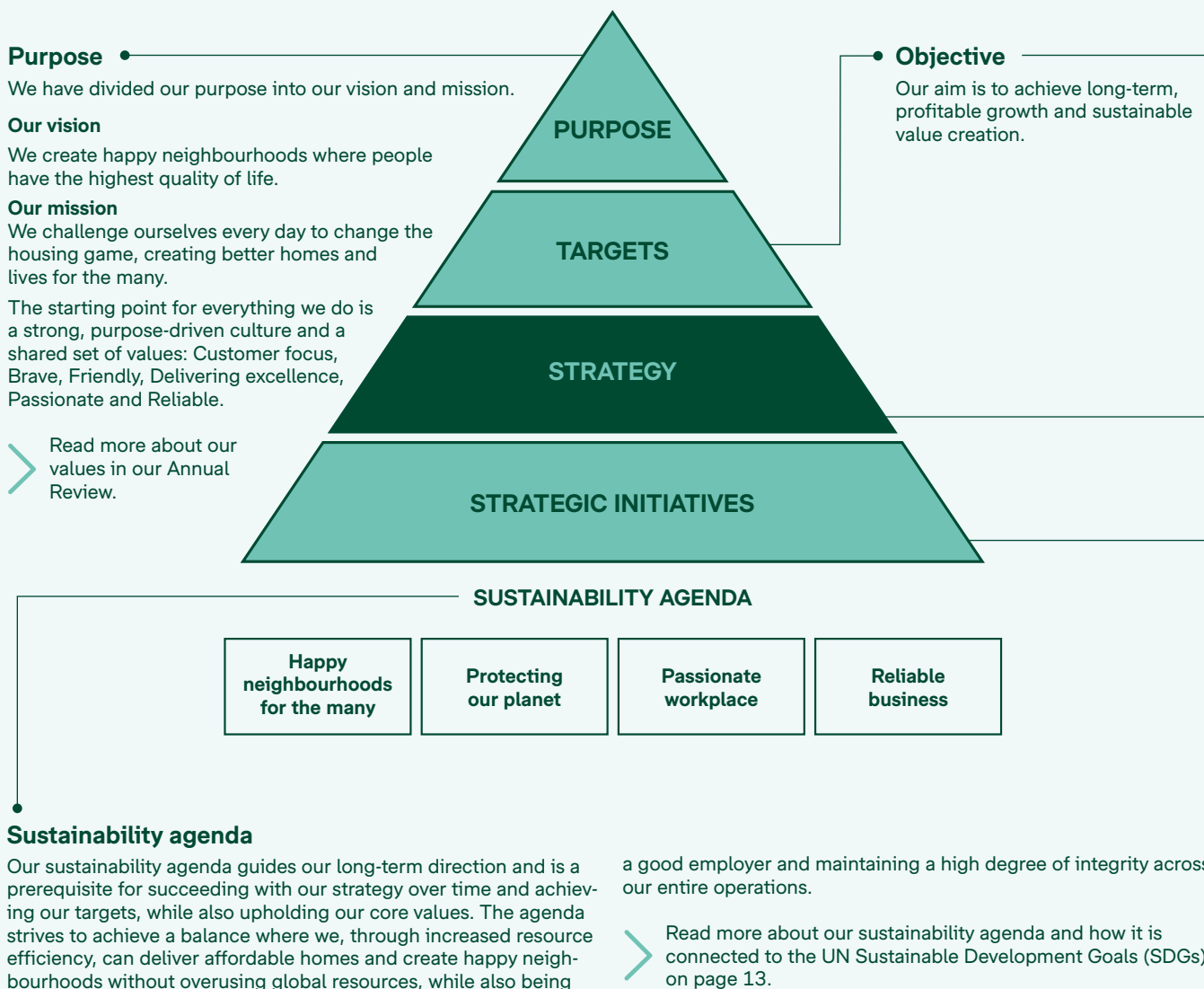
Our owners and investors expect high returns thanks to our sustainable business model and balanced capital structure, which create the conditions for long-term growth. The project portfolio is diversified in terms of geography, types of tenure and products, and our business meets the needs of both consumers and investors, giving us flexibility and a lower risk profile. Our objective is to distribute at least 40 per cent of annual net profit to our shareholders. We offer green bonds to investors through our green financing framework.



Read more about how we create value in each area in our Annual Review and in our Sustainability Report on page 12.

Our strategic framework and sustainability agenda guide our direction

Bonava's strategy is based on the insight that the similarities between our different markets are strong enough for us to benefit from operating as a single company. This is how we can become a cost-efficient developer of affordable housing. Our sustainability agenda clarifies the conditions that are necessary for us to contribute to a sustainable society over time and achieve our objectives.



Financial targets and dividend policy

Return on
capital employed
10–15%

Bonava aims to generate a high return on invested capital while maintaining financial stability. The return on capital employed should be 10–15 per cent.

Equity/assets ratio
>30%

To ensure that the return target is not achieved through financial risk-taking, the equity/assets ratio should never fall below 30 per cent.

Dividend policy
>40%

At least 40 per cent of annual consolidated profit after tax should be distributed to the shareholders. The aim of this policy is to offer a healthy dividend yield and to create the potential to invest in the operations and thus ensure that growth can be generated while maintaining financial stability.

Overall sustainability targets

- Science-based targets for climate action
 - Reduce our absolute Scope 1 and 2 GHG emissions in line with the 1.5°C goal by achieving a 50 per cent reduction by 2030 compared with 2018.
 - Reduce the carbon footprint over the life cycle of a Bonava home by reducing Bonava's Scope 3 emissions per housing start by 50 per cent by 2030 compared with 2018.
- Zero harm
 - No person – whether a Bonava employee, subcontractor, customer or member of the general public – should be exposed

to injury or illness at Bonava's workplaces. By 2023, the number of injuries resulting in absence is to be less than five per million hours worked for both Bonava's own employees and contractor employees under Bonava's site management.

- Employee engagement
 - Our objective is to further strengthen our result and to achieve a score of 86 in the Employee Satisfaction Index by 2023.

➤ Read more about our sustainability targets and the outcome for the year on page 14.

Strategy

Bonava's strategy is based on the synergies we create by acting as one company, with a broad geographic presence and shared processes. At the same time, residential development is a local business in that neither the customers nor the products are mobile. Municipalities and local authorities play a central role since they design policies and regulations, make planning decisions, and grant permits.

Our strategic vision is to be a leading developer of affordable housing in our selected markets in the Nordic region, Germany, St. Petersburg and the Baltic region. We offer a diversified project portfolio in terms of geography, types of tenure and products. We meet the needs of both consumers and investors. We offer apartments and single-family homes to consumers, and multi-family apartment buildings with rental apartments to investors

such as pension funds and insurance companies. Our business model is adapted to demand and the need for new production in each market. These two separate but complementary areas help to create a low risk profile.

We focus on the affordable segment in various markets, which means housing that people on a median income in each neighbourhood can afford to buy and live in. We achieve affordable housing and cost efficiency, regardless of the type of project, by maintaining a strong focus on our customers and their demands, and through industrialisation, shortened lead times and strategic purchasing. Our target is that half of the housing production started by the Group every year will belong to the affordable segment. The other half will mainly target the core segment.

Strategic initiatives

To achieve and consolidate our position as a leading developer, and to achieve our targets, our strategic initiatives are focused on three areas, each with its own goals, schedule and organisation:

- Digitalisation
- Design, production and purchasing
- Customer journey and offering

We develop relevant offerings in markets with favourable conditions for growth based on data-driven customer insights, and become more efficient through the industrialisation and digitalisation of our design and production processes.

➤ Read more about our strategic initiatives in our Annual Review on the web.

A close-up photograph of a person's hands, wearing tan and blue striped work gloves, planting seedlings into a black plastic tray. The person is using a green-handled trowel to move dark soil. Several green seedlings with heart-shaped leaves are visible in the tray. The background is blurred, showing more of the person's clothing and the tray.








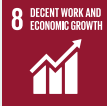

Sustainability Report 2020

Our sustainability agenda

There is a growing awareness of the global challenges we are facing and their potential impact on our operations if we do not act in time – both within Bonava itself and among all our stakeholders. Our sustainability agenda guides our long-term direction and is a prerequisite for succeeding with our strategy over time and achieving our targets.

Our agenda aims to ensure a balance between the social and ecological aspects, and subsequently the financial aspects, that are most essential to us, and clarifies how we can best contribute to the UN Sustainable Development Goals (SDGs).

BONAVA'S SUSTAINABILITY AGENDA

DRIVERS			
Demographic changes and social challenges in our markets, with an expectation of growth among groups of people with low disposable incomes	Effects of global overconsumption of nature's limited resources, where the consequences of an ongoing climate crisis are becoming increasingly tangible for residential developers	Harsh competition for the most qualified employees in an industry in which accidents can have disastrous outcomes and diversity is needed to reflect society	Increased external and internal expectations when it comes to taking ethical responsibility – even outside the company's direct organisational control – and transparent impact reporting
			
FOCUS AREAS AND UN SDGs			
HAPPY NEIGHBOURHOODS FOR THE MANY <ul style="list-style-type: none"> Affordable housing Happy neighbourhoods 	PROTECTING OUR PLANET <ul style="list-style-type: none"> Circular production model Sustainable use of land Efficient buildings Sustainable and non-hazardous materials  	PASSIONATE WORKPLACE <ul style="list-style-type: none"> Labour conditions supporting our values Health and safety Diversity 	RELIABLE BUSINESS <ul style="list-style-type: none"> Compliance Responsible supply chain management Tax Transparency 

For information on how Bonava's sustainability agenda promotes the detailed SDGs, refer to the focus area indicators here in the Annual Report.

Supporting framework



United Nations
Global Compact

Sustainability – information and GRI

ABOUT THE MATERIALITY ANALYSIS

The key sustainability topics that form the basis for the sustainability agenda – and thus our reporting – are identified in a thorough materiality analysis, are revised annually and, together with the targets, are confirmed by the Board. For information about the principles for the Sustainability Report, refer to page 42. For information about where sustainability information can be found, refer to the index on pages 43–44.

The materiality analysis is based on surveys of business environment factors and anticipated regulatory trends globally, in the EU and locally. It identifies long-term opportunities and risks for Bonava in its efforts to promote sustainable development in society at large, and points out how we can best contribute in line with our strategy. According to our definition, social, ecological and financial topics must interact in order to make sustainable development possible. This contributes to the following SDG target:

- **12.6** Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.

STAKEHOLDERS

Bonava's key stakeholders are:

- Customers
- Employees
- Suppliers
- Public authorities
- Investors and owners

Methods for stakeholder dialogue

To gather customer insights, we interact with our customers primarily as part of our housing projects, through customer surveys and through a focus group dialogues. We have regular contact with investors and analysts through interim reporting, shareholders' meetings, capital markets days, meetings and presentations. The most important dialogue with employees takes place in day-to-day activities and regular meetings regarding development and performance planning as well as in employee surveys.

Bonava has close contact with its suppliers, including through dedicated supplier meetings. Finally, we work in close collaboration with public authorities, mainly within the framework of housing projects, in connection with referral procedures and through industry organisations. Bonava determines the stakeholders with whom it is important to engage in additional active dialogue based on their significance for the company's ability to deliver in accordance with its strategic initiatives and set goals. This assessment is integrated into the materiality analysis for Bonava's sustainability agenda.

Analysis of current external stakeholder dialogues

The results of the two Happy Quest surveys we have conducted to date correlate closely with the materiality analysis aimed at identifying Bonava's sustainability agenda. Read more about the conclusions in Bonava's Happy Neighbourhood report at www.bonava.com.

Aside from our customers, the external stakeholder groups deemed to be our highest priority for dialogues during the year were major existing shareholders as well as potential investors and banks, for example, in conjunction with the launch of our green financing framework, green loans and green bonds. The meetings and interviews held during the year confirmed that investors and banks agree that we are prioritising the right topics for our sustainability agenda and continued progress. We have noted that these stakeholders appreciate Bonava's science-based targets for combating climate change, ecolabelling of housing units and data-driven approach to determining what makes a neighbourhood happy. Our green financing framework has been reviewed and assured by Morningstar Sustainalytics. During the year, Bonava was also welcomed into the Nasdaq Sustainable Bond Network (NSBN), and we raised our rating in the MSCI ESG sustainability ranking from A to AA.

Our stakeholder dialogues are mainly part of the regular development of procedures for continual improvement. In addition to the above, exchanges of information with investors, sustainability analysts at banks and external sustainability rankings are important since they help to ensure that we report relevant indicators, which

SUMMARY OF THE YEAR'S SUSTAINABILITY RESULTS

UN Sustainable Development Goal	Focus areas, Bonava's sustainability agenda	Bonava's Group target set by the Board	Outcome 2020	Outcome 2019	Outcome 2018
Sustainable cities and communities	Happy neighbourhoods for the many	50 per cent of housing starts will be in the affordable segment	54%	56%	61%
Responsible consumption and production	Protecting our planet	By 2020, 50 per cent of housing starts in markets with Nordic Swan ecolabelling or Green Zoom certification are to be subject to environmental labelling	64%	54%	45%
Climate action	Protecting our planet	By 2020, Bonava will combat climate change with climate targets in accordance with the SBTi (refer to pages 25–27)	Scope 1–2: –24% Scope 3: –10% CDP = A [–]	Targets established and approved by the SBTi CDP = B	Survey. Base year for the goals. CDP = C
Decent work and economic growth	Passionate workplace	Zero Harm 2023 LTIFR (total) <5 2023 Engagement index >86	98% compliance with all Zero Harm targets for the year LTIFR = 6.3 Engagement index = 84	100% compliance with all Zero Harm targets for the year LTIFR = 7.1 Engagement index = 84	99% compliance with all Zero Harm targets for the year LTIFR = 6.3 Engagement index = 85
Partnerships for the goals	Reliable business	Publish annual Sustainability Reports in accordance with the GRI standards and report progress to UN Global Compact	Externally reviewed and authorised Sustainability Report	Externally reviewed and authorised Sustainability Report	Externally reviewed and authorised Sustainability Report

CDP = Score in the Carbon Disclosure Project (CDP)

this year's dialogues and increased rating show we have done. For an internal stakeholder analysis, refer to the evaluation of the respective focus areas and indicators. Refer also to the respective focus areas for descriptions of how governance and methods are developed in order to utilise insights from the stakeholder dialogues.

SUSTAINABILITY ORGANISATION

Bonava's organisation and responsibility for the sustainability agenda is described in the Corporate Governance Report on page 102–107. In addition to local developments in the respective business units, Bonava's progress in its sustainability work is mainly achieved within the framework of our strategic initiatives. These strategic initiatives are led by the respective strategic boards. Collaboration among several initiatives is frequently required to achieve the intended results.

POLICY DOCUMENTS

The key policy document for Bonava's sustainability work is the Code of Conduct, in which the principles for Bonava's compliance with the UN Global Compact and the sustainability agenda are clarified. The Code of Conduct aligns with the sustainability policy, which includes Bonava's commitment to social and environmental responsibility, the work environment policy, the HR policy, which includes counteracting discrimination, and the diversity policy. The Code of Conduct and all policies are authorised by the Board and revised annually. Bonava's supplier requirements apply to all suppliers. The aforementioned policies and supplier requirements can be found at bonava.com. In addition, we have Group-wide mandatory instructions with internal, detailed rules that are established by the CEO and apply to all business areas. The mandatory instructions govern areas such as travel, motor vehicles, sponsorship, tax, alcohol and drugs, and the minimum standard for operational management related to the environment and health and safety.

In the opinion of Sustainalytics, "Bonava's Green Financing framework is reliable and effective."



MEMBERSHIPS IN EXTERNAL INITIATIVES AND ORGANISATIONS

Bonava is a member of the UN Global Compact, Transparency International Sverige's Corporate Supporters Forum and the Swedish Standards Institute (SIS). Bonava's Head of Marketing and Sales is Chairman of the steering committee for the Centre for the Future of Places (CFP) at KTH Royal Institute of Technology in Stockholm. CFP is an international hub for research relating to places of the future and has been established to promote sustainable urban development. The centre focuses on city planning and design in order to meet the challenges of today and tomorrow.

Bonava in Sweden is a member of the Sweden Green Building Council and supports the Construction and Civil Engineering Sector Roadmap for a Fossil Free Sweden. Bonava in Denmark is a member of the Danish Green Building Council. Bonava in Finland is a member of the Green Building Council Finland. Bonava in St. Petersburg is a member of the Russian Green Building Council and collaborates with the non-profit Research Institute for Sustainable Development in Construction (NIIURS). Bonava in Sweden is also a member of Sweden's Håll Nollan organisation and the Swedish Safety Culture Network (SÅKU). Bonava's Head of Health and Safety is on the Board of Directors of SÅKU. Bonava in Sweden is a partner of the organisation Mitt Liv, a community-driven company that works for a more inclusive society and a labour market that values diversity.

BONAVA'S KEY STAKEHOLDERS

Public authorities

Bonava is influenced by public authorities as they often lead the way in terms of sustainability through regulation, granting permits and influencing public opinion.

Investors and owners

Important stakeholders who are increasingly looking for information about how Bonava manages sustainability risks and opportunities in order to identify and analyse sustainable investments.



Customers

Bonava's customers are consumers and real estate investors. Consumers look for safe homes in happy neighbourhoods while investors aim to avoid sustainability risks that could impact future cash flow.

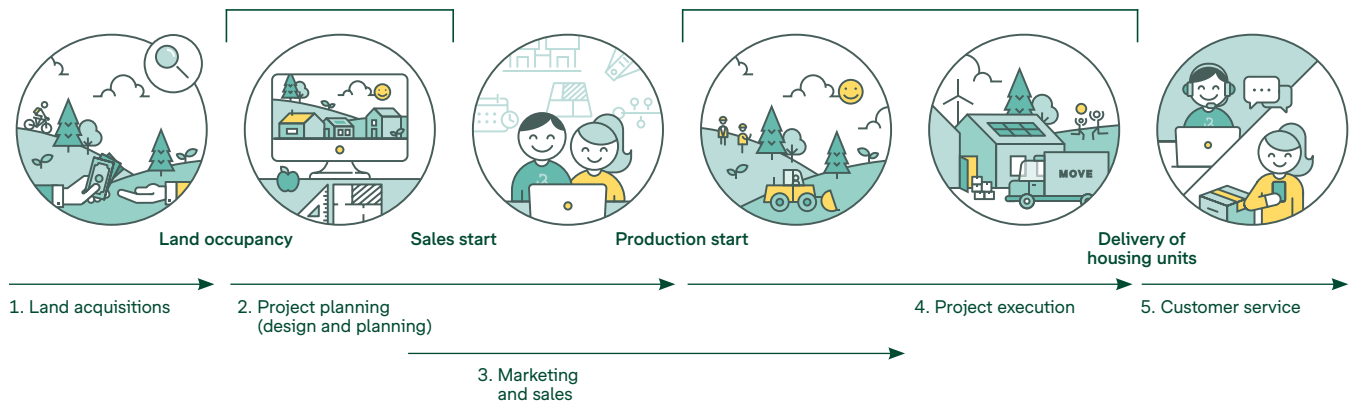
Employees

Bonava has approximately 2,100 employees in nine countries and needs to attract and retain dedicated employees in order to drive change. Employees search for information about opportunities for individual development and commitment.

Suppliers

Bonava has some 12,500 suppliers, including suppliers of construction services, and is dependent on collaboration with these operators to achieve the desired results. Suppliers seek clarity, dialogue, and repeatability.

BONAVA'S VALUE CHAIN



During the year, the Swedish Government Offices invited us to participate in Byggsamtal, a dialogue concerning sustainable housing construction, to which we contributed documentation and recordings concerning young people's access to housing, how the competence supply in the industry can be developed, and how Sweden can obtain more sustainable housing units and homes. Our Chief Procurement Officer also took part in dialogues arranged by the Swedish Climate Policy Council, which has been tasked with evaluating whether the government's aggregate policies will be sufficient to meet the target of net zero emissions by 2045. The dialogue touched on what various industries can do to reduce the negative climate impact in global supply chains. Bonava has also taken a seat on the EU Committee of the Swedish Construction Federation. We were asked to participate based on our geographic breadth, with operations in seven EU countries, but also because of our clear ambitions to promote socially sustainable neighbourhoods and our climate targets approved by the Science Based Targets initiative (SBTi), which are considered to provide crucial experience that can contribute to ongoing and future EU procedures.

By contributing experience, testing and impact assessments to investigative research projects and in referral procedures in each country's legislative development as well as collaborating in industry organisations, Bonava contributes to the following SDG targets:

- **13.2** Integrate climate change measures into national policies, strategies and planning.
- **17.14** Enhance policy coherence for sustainable development

BUSINESS MODEL AND SUSTAINABILITY IMPACT

Land acquisitions

Land used and its location in relation to infrastructure and amenities have a significant impact on social and environmental aspects, directly in connection with production and indirectly through the future ability to live sustainably. Ahead of land acquisitions, we examine the conditions applying to the site we purchase and analyse its potential for long-term sustainability using, for example, the Bonava Happy Neighbourhood tool.

Project planning

The design and planning phase is key to our long-term indirect social and environmental impact. In collaboration with public authorities and other stakeholders, through dialogue with the local community and our customers, Bonava aims to create happy neighbourhoods for the many. Our Code of Conduct and the Our Foundation compliance programme provide support and guidance

to ensure that contacts with authorities and suppliers are handled correctly, including minimising the risk of bribery or unethical practices. Design and decisions about materials choices determine whether planned housing units can be counted in the affordable segment, the indoor environment they will provide and their environmental impact during production and the remainder of the neighbourhood's life cycle.

Project execution

Our main direct impact on sustainability occurs during the execution of projects. Production of most housing units involves ground work that can affect the water table and surrounding areas. Remediation of earlier contamination may also be necessary. Transport to and from the construction site, energy for production, materials used and waste have a direct and indirect environmental impact. How the work is carried out has an impact on working conditions, including the health and safety of the people who spend time on the construction site. Noise, dust and light pollution can directly disrupt the lives of neighbours. Through demands on and control of our suppliers and subcontractors, Bonava can indirectly have a positive effect on human rights, working conditions, the environment and anti-corruption considerations outside its own operations.

Customer service

After completion, our impact is largely indirect. Final inspection, remedial measures, fine tuning of installations, maintenance opportunities and instructions are key factors. Through collaboration agreements or by providing contracts, we can also have a significant indirect impact on sustainability, for example, by supporting customers in their choice of service and maintenance providers as well as power supply contracts. Bonava can have a further indirect social and environmental impact by facilitating cooperation among residents and by providing them with information and support in order to use their buildings and the surrounding area for a sustainable lifestyle.

LIMITATIONS

From the perspective of the entire value chain, Bonava's main impact on people and the environment primarily lies outside the organisation. Labour conditions that support Bonava's values and compliance are aspects that mainly influence the organisation internally. A circular production model, health and safety, and diversity have a significant impact within the organisation itself and in the surrounding world.



Happy neighbourhoods for the many

Demographic development and social change in Bonava's markets mean that the need for affordable housing in socially and environmentally functional areas is increasing. By utilising this business opportunity, we contribute to a sustainable society.

AFFORDABLE HOUSING

Why this aspect is important (103-1)

One way in which Bonava has an important opportunity to have a positive indirect economic impact is by providing newly produced housing units to target groups who would otherwise be unable to afford to purchase a newly produced housing unit. This way, housing units in the second-hand market's property chain are freed up and become available to groups that may have even greater difficulties entering the housing market. We believe that this has a positive indirect economic effect at the societal level. Access to housing units of various sizes and price classes is also important for society's social sustainability. Mixed residential areas provide the conditions for a more lively neighbourhood with greater diversity, and create better opportunities for people to live in the same area in different phases of their lives than are available in large, very homogeneous areas. The SDG target that Bonava's affordable housing units make the greatest contribution to is:

- **11.1** By 2030, ensure access for all to adequate, safe and affordable housing and basic services, and upgrade slums.

The management approach (103-2)

All of Bonava's strategic initiatives are coordinated to ensure that affordable housing accounts for a significant portion of our portfolio while at the same time remaining sustainable over the long term from a business economics perspective. Bonava's Group-wide target is that 50 per cent of the housing units we develop will be part of the affordable segment. The distribution varies between different markets, depending on the specific market conditions and access to housing units at reasonable prices. Bonava's definition of affordable housing units are those that people with disposable income in the median bracket, in each respective geographical market, can afford to buy and live in.

"Access to housing units of various sizes and price classes is important for society's social sustainability."

Evaluation and results (103-3)

The management team and Board of Directors monitors target fulfilment and analyses forecasts ahead of each investment decision. These analyses affect investment decisions and the work on strategic initiatives. An evaluation of the application of Bonava's definition of affordable housing has shown that, for some of Bonava's business areas, it is difficult to calculate disposable income in the median bracket for a limited geographical market. There are no public statistics. In these markets, the definition has been applied in a more practical way based on available market information. During the year, we devoted considerable effort to supplementary sales. An important part of this work involved using customer insights in the respective markets to establish optimal levels for standard design and packaging of optional features. Our aim in doing so was to simplify the customer journey without raising the price of housing units by including optional features that not every customer needs. Stakeholder dialogues with existing customers have demonstrated that this is important. The distribution of housing units among the various price segments is shown in the table below.

203-2 Significant indirect economic impacts

Results Segment	2020			2019			2018		
	Affordable	Core	High-end	Affordable	Core	High-end	Affordable	Core	High-end
Housing starts, %	54	45	1	56	44	0	61	39	0
Completed housing units, %	51	42	7	47	46	7	51	48	1

Comments on the results

The housing units on which construction began in 2020 met the target of 50 per cent of housing starts in the affordable segment. The year in which individual major projects are started and completed has a significant impact on this indicator, which can therefore vary greatly from year to year.



In the Kanvaasi project in Helsinki, we have completed 82 resource-efficient apartments in the affordable segment, nine of which can either be used as larger family apartments or be divided into two smaller units in a neighbourhood with excellent bicycle paths, electric car charging stations, solar panels and green roofs, trees and urban gardening, and numerous premises and facilities for the residents to share and use together.

HAPPY NEIGHBOURHOODS

Why this aspect is important (103-1)

The design of a neighbourhood and of activities that promote social interaction impact people's behaviour, which has sustainability effects both socially and environmentally. This is why it is important that, in our ambition to develop affordable housing, we also make use of Bonava's expertise in what creates happy neighbourhoods. By providing positive conditions for happy neighbourhoods, we contribute to several of the targets for SDG 11 Sustainable cities and communities. More specifically, Bonava contributes to the following SDG targets:

- **11.3** By 2030, enhance inclusive and sustainable urbanisation and capacity for participatory, integrated and sustainable human settlement planning and management in all countries.
- **11.7** By 2030, provide universal access to safe, inclusive and accessible green and public spaces, in particular for women and children, older persons and persons with disabilities.

The management approach (103-2)

The Happy Quest survey is conducted regularly with a representative selection of the general public in the respective countries to survey what is important for people to feel happy where they live. The latest survey, conducted in 2019, provided us with a deeper understanding of how well various sustainability factors are interacting. These insights are used to develop the neighbourhoods of the future, using Bonava's Happy Neighbourhood tool. This is a framework to ensure that, in the neighbourhoods that Bonava develops, we systematically implement our aggregate knowledge and insights into what creates happy neighbourhoods. This concerns, for example, solutions for safe and green outdoor environments, social interaction among neighbours-to-be and a sense of involvement. Through our customer satisfaction programme, which includes Bonava's Happy Index, we evaluate our success over both the short and long term. Happy Index defines and measures the degree of happiness in a neighbourhood, which makes it possible to compare the degree of happiness among different groups of people, different places and different points in time. The index was designed by Bonava and is statistically reliable.

As regards area design, these are most important for happy neighbourhoods:

1. Feels safe to be in (82%)
2. Good atmosphere (73%)
3. Reasonable distance to grocery stores (71%)
4. Pedestrian and bicycle friendly (67%)
5. Parks and green spaces (67%)

By identifying what characterises neighbourhoods with various Happy Index levels, Bonava has created a model for happy neighbourhoods: House of Happiness. In the model, happy neighbourhoods are built like storeys in a building, where the lower storeys constitute prerequisites for those higher up. The ground storey includes functional aspects that must be met in an area to ensure a functional daily existence. The first storey contains aspects that help people feel content and happy mentally and physically, while the second storey primarily contains the things that create a sense of community in an area. A smaller portion of all neighbourhoods reach the third – and highest – storey, which is characterised by a higher purpose where neighbours actively contribute to creating a sense of community, inclusiveness and well-being for one another. The neighbourhoods that occupy all four storeys are also the neighbourhoods with the highest results on the Happy Index.

Our customer service organisation, which is responsible for customers' experiences after they have moved in to their new homes, provides feedback on any shortcomings or suggestions for improvement to the design and production units so that we can continually increase our quality. Our customer satisfaction programme also includes the Customer Satisfaction Index (CSI) and Net Promoter Score (NPS), which are measured for all new customers four to eight weeks after moving in. The counterpart to the previous indicator, GRI G4-PR5 Approach to stakeholder engagement, is included in disclosures 102–43 and 44. We have set high targets and are pursuing strategic initiatives to achieve an NPS of over 50 in all projects by 2025.

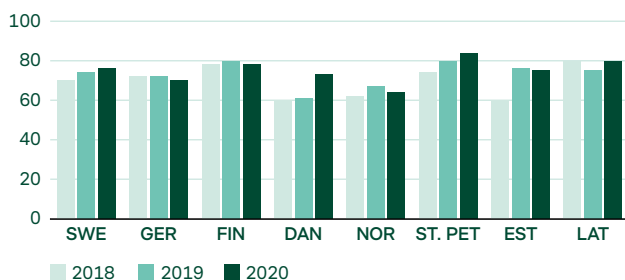
Evaluation and results (103-3)

During the year, we expanded and refined our approach to customer satisfaction and introduced initiatives, linked primarily to customer service, based on those results. We report CSI and NPS for all new customers, and the Happy Index for the years Happy Quest is conducted. Refer to the graphs and comments below for this year's results.

(413-1) Operations with local community engagement, impact assessments and development programmes

60 per cent of all projects with a fixed production start in 2020 underwent Bonava's process, making use of the Happy Neighbourhood tool in order to identify potential for development and to plan initiatives. This tool provides support for stakeholder dialogues and local community engagement. The decision as to which groups are vulnerable and risk being negatively affected by the project, or that can be strengthened by the project through involvement and the possibility of having an influence, is always made locally based on location and the conditions of the surrounding community.

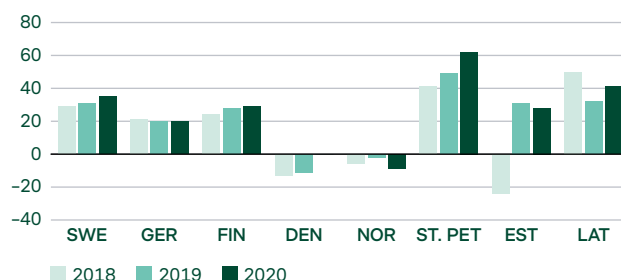
Customer Satisfaction Index (CSI) for new customers



Comments on the results

The graphs illustrate the Customer Satisfaction Index (CSI) and Net Promoter Score (NPS) based on all responses from new customers in the respective years. Sweden continued to trend positively compared with previous years and also performed on a

Net Promoter Score (NPS) for new customers



par with the industry average (for Sweden in 2020, CSI was 76 and NPS 36). Latvia and St. Petersburg also displayed excellent levels of customer satisfaction, with Finland, Estonia and Germany not far behind. The results in Norway and Denmark remained weak, but with a positive trend in Denmark.



In the German city of Bonn, customers moved into the Stadsträdgårdarna district, which is a neighbourhood with housing units in the affordable segment and where a shared garden with crops and places for activity and social interaction promote a sense of belonging.

Protecting our planet

Global overuse of natural resources and climate impact have created a need for change, especially for operations such as residential development. Resource-efficient and sustainable residential development are becoming increasingly important to both consumers and investors, and for being granted permits to develop land.

CIRCULAR PRODUCTION MODEL

Why this aspect is important (103-1)

Natural resources are limited and global overconsumption is evident. Forecasts show that the cost of raw materials will increase, especially where supplies are limited, as will costs of emissions and waste management. By continually striving for increased resource efficiency, Bonava contributes to SDG 12 Responsible consumption and production, in particular the following targets:

- **12.2** By 2030, achieve the sustainable management and efficient use of natural resources.

The management approach (103-2)

A circular production model requires optimised material streams, and Bonava seeks to minimise the use of newly produced commodities in its production as much as possible, with the ultimate aim of achieving a closed-loop system. The use of materials constitutes a significant portion of Bonava's indirect climate impact. Optimising the use of materials is therefore also important for achieving climate targets. Our ongoing digitalisation is the key to our future success when it comes to achieving a circular production model. Digitalisation provides a platform for improved control and opportunities to optimise the use of materials and resources.

Evaluation and results (103-3)

By producing digital twins, Bonava has been able – for the second consecutive year – to determine its use of materials for the markets where not all materials are purchased directly by the company itself. This makes it possible for us to compare the use of materials in different construction systems and different geographic markets in order to monitor governance and to identify potential for improvement. Above all, the information is used as input for the ongoing strategic initiatives to achieve increased repeatability and digitalisation. We have also signed framework agreements with waste management suppliers in markets where no such agreements previously existed, allowing us to monitor and improve our circularity and climate impact.

The table below shows a breakdown by category of the materials used to build all the housing units that Bonava started constructing during the year, both materials purchased by Bonava directly

and materials purchased by contractors and subcontractors. The model is built on direct information from design and purchasing calculations for the representative building types in the respective markets, extrapolated for the gross area of housing starts during the year. The basis for calculation covers all load-bearing construction elements and façades. Interior walls, finishes, foundations and roofs are not included in this overview.

Comments on the results:

The table shows that, for the buildings we began producing in 2020, we used more concrete and prefabricated concrete elements than in previous years but fewer construction blocks, which are used primarily in the construction systems in Germany and the Baltics. It also shows that the amount of insulation and, to a certain extent, the amount of wood is increasing – which was expected – and the amount of steel is decreasing. This depended primarily on the geographic markets where the projects were started, and the construction systems used during the year. Of all the categories of materials in the overview, only wood is completely renewable.

SUSTAINABLE USE OF LAND

Why this aspect is important (103-1)

Using land in a sustainable way is becoming increasingly important due to its significance for climate change resilience, and for supporting biodiversity locally. Bonava thereby contributes to the following SDG target:

- **13.1** Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.

The management approach (103-2)

Where needed, Bonava will remediate land and render it suitable for building homes. Where previously undeveloped land is claimed, the projects are designed to protect biological diversity and other ecological values. Our climate targets include changing land use as a direct negative climate impact, caused by former green spaces being built up in such a way that the capacity of the ground to capture carbon is impaired. This choice is supported by the UN Intergovernmental Panel on Climate Change (IPCC) in its Special Report, Climate Change and Land.

301-1 Materials consumption by weight or volume

Materials	2020		2019	
	Total amount	Amount per 100 m ² housing starts, gross area	Total amount	Amount per 100 m ² housing starts, gross area
Concrete, m ³	103,898	29.1	84,752	28.2
Prefabricated concrete elements, m ³	101,341	28.4	83,805	27.9
Construction blocks, m ³ ¹⁾	26,888	7.5	26,406	8.8
Plaster, m ³	972	0.3	809	0.3
Insulation, m ³	51,469	14.4	41,902	13.9
Steel (metric tonnes)	4,203	1.2	4,420	1.5
Wood (metric tonnes)	2,513	0.7	1,627	0.5

¹⁾ Sandstone blocks in Germany and light concrete blocks in the Baltics.



In St. Petersburg, natural green spaces are being recreated along the Okhta river on former industrial land, which is being made available for housing units and the general public with a shoreline walk adjacent to the Magnifika neighbourhood. A species of pike perch lives in the Okhta, which Bonava is making efforts to protect during construction.

Evaluation and results (103-3)

To monitor governance, we analyse the information on sustainable use of land annually in our Sustainability Council, and we evaluate the procedures for managing risk in our annual evaluation of risks and risk management; refer to a selection of indicators in the table below.

During the year, we also developed a method for using generative design to help optimise such factors as the future capacity of a neighbourhood to capture carbon. As a start, the method is being used to plan Bonava's single-family home neighbourhoods in Sweden.

304-4 Conservation and red listed species and share of previously developed/undeveloped land for housing starts and G4 CRE 5 Land remediation for completed projects

Key figures	2020	2019	2018
Of which, previously developed, %	56	62	58
Of which, previously undeveloped, %	44	38	42
Land remediation (of total), ha	11(44)	16(64)	N/A
Share of projects with significant initiatives aimed at preserving ecological values, %	28	23	27
Number of protected species affected	5	3	4

Key performance indicators N/A = Not Available

Additional disclosures and comments:

The disclosure on land remediation pertains to land remediation carried out for all projects completed during the year, and pertains to all identified remediation needs for the total developed land (latter figure shown in brackets). The indicator for 2018 is missing, owing to limitations in earlier information management systems. The protected species affected by projects for which Bonava was

granted permission to start construction during the year include salmon, lizard and bat species. None of them require protection above the lowest category (Least Concern) under the International Union for Conservation of Nature (IUCN) classification. Examples of preservation efforts for these and other ecological values include protection of existing trees and, in other cases, replanting of naturally occurring vegetation to support local biodiversity, nesting boxes, protection to prevent impact on watercourses and preservation of mating grounds for fish.

EFFICIENT BUILDINGS

Why this aspect is important (103-1)

Residential developers, legislators and customers have long devoted considerable focus to the resource consumption of buildings during operation. This is linked with such legislation as the EU Directive on the energy performance of buildings, in which the framework requirement is that the defined level for near net-zero energy buildings for each EU country is to be incorporated into the law and the construction standards for new production of housing units in 2021. The EU taxonomy for sustainable financing will focus further on the operational phase once its technical criteria have been finally established. It is expected that they will specify that newly produced buildings that have 20 per cent lower external energy requirements than the near-zero energy construction regulations of the respective countries are eligible for sustainable financing. At the same time, the trend is moving toward an increased share of renewable energy and decreased dependence on fossil fuels in energy systems. This means that life cycle assessments will become increasingly important for ensuring that improvements implemented with the operational phase in mind do not generate large emissions of greenhouse gases and other costs during production itself. Bonava thereby contributes to the following SDG target:

- **13.3** Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.

The management approach (103-2)

As of 2021, we have an overall goal of increasing the assets available for green financing, which in addition to our own framework will be defined by the technical criteria for the EU taxonomy for sustainable financing, and where the external energy requirements in relation to near-zero energy construction regulations will be an important criterion.

We have long endeavoured to develop the most resource-efficient housing units possible, with good energy efficiency and low water consumption. Adapting our building systems to national environmental and certification standards also creates potential for more efficient utilisation of water resources. Countries do not have comparable definitions or requirement levels for energy use during the operational phase of a building, which complicates comparisons of energy intensity among buildings in different countries. The extent to which Bonava's housing units will be more energy-efficient than indicated in national construction regulations for new production is assessed and determined for the respective business areas as part of the action plans for contributing to the SDGs, based on the conditions of the respective geographical markets. This includes assessments of national definitions and prevailing regulations for energy performance as well as access to renewable and fossil-free energy.

Evaluation and results (103-3)

We monitor energy intensity per building both in the design phase and after completion in relation to the requirements in the respective building permits, in order to ensure that the more ambitious energy performance target is achieved. Refer to the results for energy intensity as energy requirements per area heated, in

accordance with the respective countries' definitions in the construction regulations, in the table below.

Comments on the results:

An analysis of the results under Bonava's climate targets shows that the expected future greenhouse gas emissions from the energy consumption of buildings completed in 2020 accounts for just over 20 per cent of our total climate impact. The use of products sold therefore remains the second most significant category under Bonava's climate target for Scope 3.

SUSTAINABLE AND NON-HAZARDOUS MATERIALS

Why this aspect is important (103-1)

The precautionary principle is central to environmental legislation as well as international standards and principles such as the UN Global Compact and ecolabelling. Bonava defines sustainable and non-hazardous materials as materials that do the least harm to the external environment, are non-hazardous to the health of the people that handle them, and do not have a negative impact on the indoor environment. New variations of materials and components are continuously being developed, and legislation does not always keep up. By ecolabelling, Bonava safeguards the precautionary principle and contributes to the following SDG target:

- **12.8** By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature.

The management approach (103-2)

Bonava applies ecolabelling and certification, either directly or as a benchmark for internal processes and requirements. The Nordic Swan ecolabel is a well-known consumer label that supports repeatability by licensing the entire production process, and is therefore Bonava's first choice. Apart from energy efficiency,

G4-CRE1: Building energy intensity

Housing starts	Bonava's energy performance, kWh/m ²			Required energy performance, kWh/m ²			Better than requirement, %		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Germany	38	30	24	44	38	30	13	21	19
Sweden	66	63	61	82	82	77	19	24	20
Finland	77	88	98	83	92	104	7	5	7
Denmark	26	27	27	33	34	30	23	20	10
Norway	93	93	95	96	95	95	3	2	0
St. Petersburg	60	51	57	97	95	101	38	46	43
Estonia	121	129	130	133	135	130	9	4	0
Latvia	40	44	44	56	60	63	28	28	30
Lithuania	27	N/A	N/A	32	N/A	N/A	17	N/A	N/A

Completed housing units	Bonava's energy performance, kWh/m ²			Required energy performance, kWh/m ²			Better than requirement, %		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Germany	35	40	42	46	48	58	24	17	29
Sweden	60	62	58	75	79	79	20	21	27
Finland	65	111	115	94	118	128	31	6	10
Denmark	31	26	31	38	28	31	19	8	0
Norway	N/A	N/A	93	N/A	N/A	107	N/A	N/A	14
St. Petersburg	57	49	59	95	92	103	40	47	43
Estonia	143	142	122	144	150	150	2	5	19
Latvia	N/A	40	43	N/A	64	66	N/A	37	35
Lithuania	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

N/A = Not Applicable



moisture-proofing and so forth, the Nordic Swan criteria cover responsible production of construction materials, the inclusion of substances that are not associated with risks to health or the environment, and how waste is to be managed both during production and later during operation. Nordic Swan ecolabelling is only applicable to buildings in the Nordics. All housing starts in Sweden and Denmark receive the Nordic Swan ecolabel. We apply Nordic Swan ecolabelling requirements in all tendering at the Group level and add further suitable local certifications where relevant. Green Zoom is a Russian sustainability label that Bonava uses for all projects in St. Petersburg. Its structure is similar to international sustainability certifications such as BREEAM and LEED, which cover many different sustainability aspects, with compliance with legal requirements as a basic level and points awarded in accordance with increased performance. For Sweden, the phase-out of the previously applied Miljöbyggnad environmental certification is still under way.

Our goal, which we have exceeded, was that 50 per cent of all housing starts in the Nordic countries and St. Petersburg segments would be ecolabelled in 2020. All housing units in new projects in production in Sweden, Denmark and St. Petersburg will continue to be ecolabelled. This is one of the sub-targets under a new overall goal on the sustainability agenda, which stipulates that Bonava is to leverage assets that are eligible for green financing.

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Evaluation and results (103-3)

Target achievement is followed up annually in the management team and the Board of Directors. Bonava's Sustainable Financing Committee validates and follows up at the project level on a quarterly basis. During the year, Bonava's framework for green financing obtained assurance from Morningstar Sustainalytics. The framework means that Nordic Swan ecolabelling, in addition to Bonava's overall science-based targets for combating climate change, comprises the main criterion for nominating sustainable assets. During the year, we also successfully raised green loans and launched bonds based on assets with the Nordic Swan ecolabel.

The tables below show Bonava's implementation of ecolabelling and certification in the markets where Nordic Swan eco-labelling or Green Zoom certification is applicable.

417-1 Requirements for product and service information and labelling

Housing starts	Share of ecolabelled housing units ¹⁾ , %		
	2020	2019	2018
Sweden	100	100	92
Finland	0	0	0
Denmark	100	100	27
Norway	0	0	0
St. Petersburg	100	100	100
Total¹⁾	64	54	45

¹⁾ Of the total in markets where Nordic Swan ecolabelling or Green Zoom apply.

Completed housing units	Share of ecolabelled housing units ¹⁾ , %		
	2020	2019	2018
Sweden	67	50	93
Finland	0	0	0
Denmark	28	48	66
Norway	N/A	N/A	0
St. Petersburg	100	100	100
Total¹⁾	45	31	48

¹⁾ Of the total in markets where Nordic Swan ecolabelling or Green Zoom apply.
N/A = Not Applicable

Comments on the results:

The goal of ecolabelling 50 per cent of all housing starts in the Nordic countries and St. Petersburg in 2020 has been exceeded.

GREENHOUSE GASES

Why this aspect is important (103-1)

Overall research shows that global warming as a result of human activity constitutes a serious threat to the ecosystems that ensure the conditions for life as we know it on our planet. The effects have become increasingly tangible in the business world as well. Many use terms such as "climate neutral" without a more detailed definition of which emissions categories, or whether compensation alongside the value chain, are included. All of Bonava's identified material environmental aspects have climate relevance. We have direct control over only a small part of the total climate impact caused by Bonava's operations. By also taking responsibility for our indirect impact, Bonava becomes a real part of the solution for keeping global warming within the Paris Agreement target of 1.5°C and for SDG 13, Take urgent action to combat climate change and its impacts, primarily through the following targets:

- **13.1** Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.
- **13.3** Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.



The management approach (103-2)

Bonava has surveyed its climate impact thoroughly and is the first residential developer in Europe to have defined climate targets that are approved by the SBTi in order to ensure scientifically that we sufficiently promote the limitation of global warming. The SBTi follows strict scientific definitions and permits no purchasing of emissions rights or other compensation outside the company's own value chain as a method for achieving the targets.

In accordance with the IPCC's recommendations for limiting global warming to 1.5°C, Bonava commits to reduce the company's direct carbon emissions with an absolute target of 50 per cent by 2030, compared with the base year of 2018, and to reduce the carbon emissions of the entire value chain with an intensity target of 50 per cent per housing start.

Evaluation and results (103-3)

During the year, we forecast and allocated a climate budget to be addressed by all business units, and the business units identified initiatives and activities to contribute to the targets. The results are presented in the table on the following page. In 2020, Bonava raised its score in the Carbon Disclosure Project (CDP) from B to A–.

Scopes 1–2

In the climate impact survey, energy suppliers were identified as essential partners in the work to reduce climate impact. Framework agreements for renewable energy were signed for the Nordic region and Germany during the year.

"Many use terms such as 'climate neutral' without a more detailed definition."

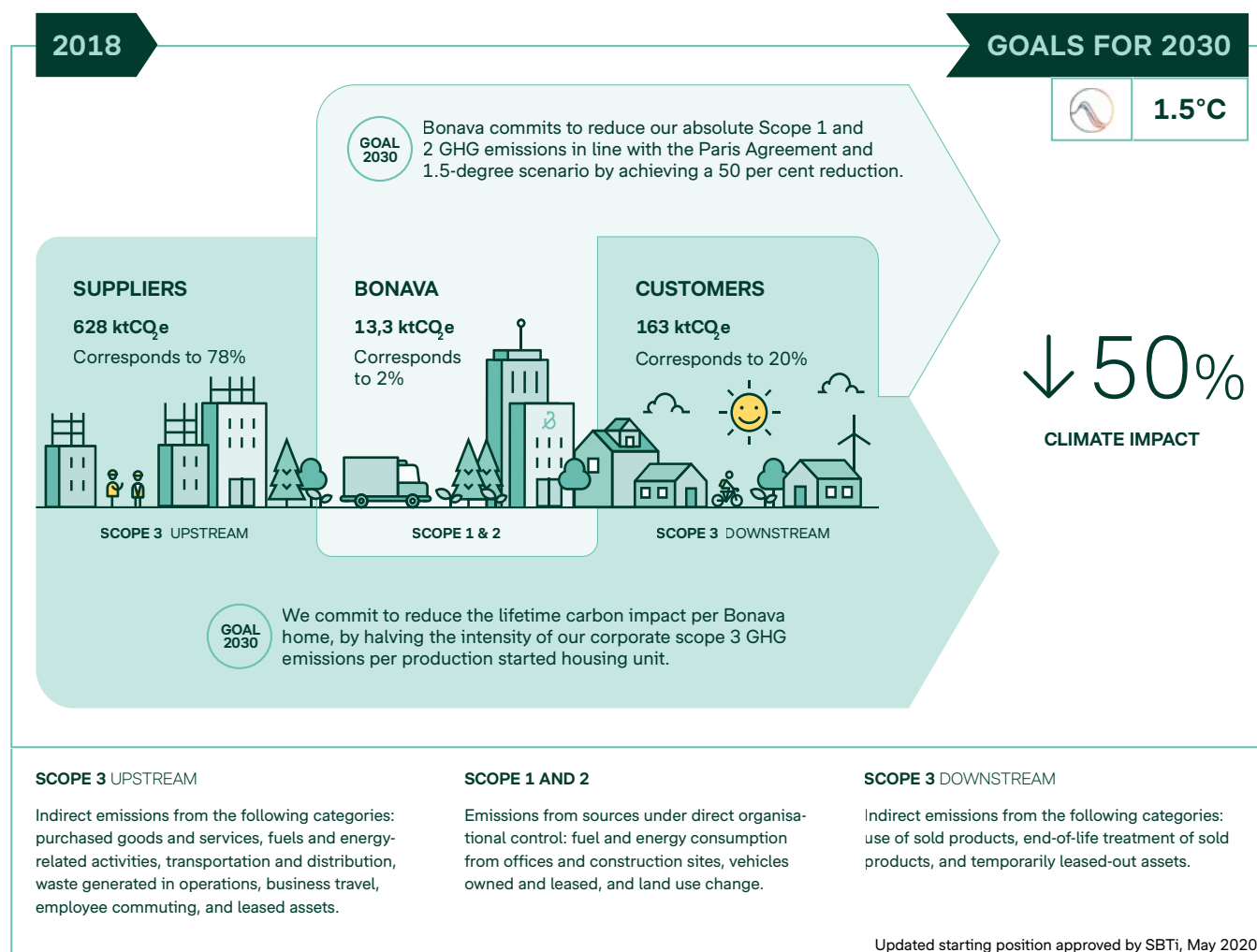
Scope 3

The single largest climate impact for us is the aggregate emissions from all purchased goods and services. Initially, we will work with our largest – and in terms of our climate impact, our most important – suppliers to jointly reduce emissions. The method developed last year, using life cycle assessments to include climate impact as an important dimension in ensuring standardised choices of methods and materials, was used this year as well. The next largest category under Scope 3 is the future climate impact of our customers' use of the housing units and neighbourhoods we develop. Our achievements in this regard are described in more detail under the "Efficient housing units" topic above.

Comments on the results

The results to date indicate a positive trend in absolute numbers, primarily for Scope 1 and 2. Our total climate impact under Scope 3 also decreased, but owing to fewer housing starts compared to the 2018 base year, the physical intensity of Scope 3 increased from 122.1 to 124.7 tonnes of CO₂e per housing start.

BONAVA'S BASE YEAR GREENHOUSE GAS EMISSIONS AND CLIMATE TARGETS FOR 2030





305-1 & 2, 305-3, 305-4 Greenhouse gas emissions, Scopes 1–3; GHG emissions intensity

Emissions	2020 ¹⁾ tCO ₂ e	Intensity per net sales, tCO ₂ e/SEK M	2019, tCO ₂ e	Intensity per net sales, tCO ₂ e/SEK M	2018 ²⁾ tCO ₂ e	Intensity per net sales, tCO ₂ e/SEK M
Scope 1 ³⁾	3,209	0.19	4,114	0.27	4,996	0.36
Scope 2, market-based (location-based)	6,826 (7,149)	0.40	6,961 (6,555)	0.45	8,275 (7,337)	0.59
Scope 3	711,930	41.9	729,019	47.1	791,239	56.5
Total	721,965	42.5	740,094	47.8	804,510	57.4

¹⁾ Based partly on preliminary contractor reports. Updated and verified on a detailed level for the 2021 CDP Report.

²⁾ Revised baseline approved by SBTi in May 2020.

³⁾ Biogenetic emissions for Scope 1 = 129 (69 for 2018; 72 for 2019) tCO₂e.

Additional disclosures on greenhouse gases

Bonava complies with the GHG Protocol Corporate Accounting and Reporting Standard as well as the Corporate Value Chain (Scope 3) Accounting and Reporting Standard for measuring and reporting greenhouse gas emissions. We have chosen to apply the operational control consolidation approach. The climate impact inventory is based on carbon dioxide equivalents (CO₂e) and includes all greenhouse gases. Biogenetic emissions for Scope 3 are estimated at approximately 5,000 tCO₂e for future use of the housing units Bonava completed during the year.

The report is based on invoices, surveyed data, fuel and vehicle registers, and supplier reports. To calculate emissions, we used emissions factors from the UK Department for Environment, Food and Rural Affairs (Defra) and Exiobase v. 3 (exiobase.eu), in which the global warming potential (GWP) for one hundred years is based on the Fourth Assessment Report of the Intergovernmental Panel on Climate Change (AR4 IPCC), which is the latest assessment report for climate impact potential.

Emissions are reported in accordance with the division between scopes established for the base year of 2018, for the climate targets that Bonava committed to under the SBTi. In May 2020, the SBTi approved corrections to the emissions for the base year of 2018, which came about after we identified more emissions sources. The comparison years presented above have been updated, and thus differ from last year's Annual Report. The 2020 emissions report in the table above is based in part on preliminary supplier reports. We will update with established figures for actual consumption for the year as such information becomes available. Bonava's annual report to the CDP is based on the final reports from suppliers and is reviewed externally at the level of reasonable assurance.

TCFD index

The Task Force on Climate Related Financial Disclosures (TCFD) is a reporting initiative intended to help companies and other organisations more effectively identify and specify climate-related financial risks and opportunities. The TCFD has guidelines based on governance, strategy, risk management, and metrics and targets. For us at Bonava, this method has been an important part of our efforts to produce relevant climate goals for our operations. An overview of our analysis is presented below.

TCFD index

Governance		Strategy		Risk management		Metrics and targets	
Recommended disclosures	Page	Recommended disclosures	Page	Recommended disclosures	Page	Recommended disclosures	Page
A. Board's oversight of climate-related risks and opportunities.	55–57	A. Climate-related risks and opportunities that the organisation has identified.	14–16, 28–29	A. The organisation's processes for identifying climate-related risks.	36, 55	A. The metrics used by the organisation to assess climate-related risks and opportunities.	28
B. Management's role in assessing and managing climate-related risks and opportunities.	102–107	B. Impact of risks and opportunities on the organisation's business, strategy and financial planning.	10, 14–16	B. The organisation's processes for managing climate-related risks.	26–29, 57	B. Scope 1, 2 and 3 GHG emissions.	Emissions
		C. Resilience of the organisation's strategy taking into consideration different climate-related scenarios.	29	C. Integration of the above processes into the organisation's overall risk management.	36, 55–57	C. Targets for managing climate-related risks and opportunities.	26

Additional TCFD disclosures

				2020	
	Financial category	Climate-related category	Metric	Opening balance (SEK M)	Closing balance (SEK M)
Balance	Green assets	Adaptation and limitation	Total volume of green assets under Bonava's green financing framework, category Nordic Swan ecolabelled projects	N/A	3,901
	Green assets used for external financing	Adaptation and limitation	Green loans	N/A	–301
			Green bonds	N/A	–1,000
			Project-specific financing, Nordic Swan ecolabelled TOA projects, Sweden	N/A	–694
	Unutilised green assets	Adaptation and limitation	Remaining volume of green assets under Bonava's green financing framework, category Nordic Swan ecolabelled projects	N/A	1,906

				2020	
				Income/expenses (SEK M)	
Profit	Revenue	Adaptation and limitation	Sales of 1,418 ecolabelled housing units (share of total sales)	4,021 (24%)	
	Expenses	Energy	Cost of energy purchased (electricity, heating, district cooling): 35,855 MWh, of which 9,771 MWh renewable	114	
	Expenses	Fuels	Cost of fuel purchases, 1,093 m ³ diesel and 112 m ³ petrol	12	
	Expenses	Goods and services purchased	Cost of goods and services purchased with high GHG emission factor ¹⁾	6,994	

¹⁾ High GHG emission factor, defined by Bonava as emissions factors belonging to the highest quartile of GHG emission factors in connection with input/output analysis of all completed transactions in the respective business units during Bonava's Science Based Targets base year (2018).
N/A = Not Applicable, Bonava's framework for green financing obtained assurance from Morningstar Sustainability during the year.

Climate scenarios

Rcp = representative greenhouse gas concentration pathways, by The Intergovernmental Panel on Climate Change (IPCC) most recent assessment report (AR5). **Climate impact to year 2100** as shown by AR5, IPCC Special report 1.5°C Global warming, EEA, Gisstemp/NASA and KNMI Climate Explorer.

Rcp 8.5

Emissions continue to rise at current rates

Rcp 4.5

Emissions half² and stabilise by 2080

Rcp 2.6

Emissions peak around 2020, then decline and become net negative before 2100

Business-as-usual

With no major climate action measures, global warming is predicted up to **4.9°C¹** but over land in northern areas of the globe up to **11°C¹** increase is predicted. With this scenario there will be large areas with annual average temperatures > 29°C.

Medium mitigation

Relatively ambitious climate action measures but they fall short of the Paris Agreement goals. With this scenario global warming is predicted up to **2.6°C¹**, over land and near the North pole warming will be higher.

Aggressive mitigation

Very ambitious action measures. This is the only scenario where the Paris agreement aspirational goal to limit global warming to **1.5°C¹**, is within reach. Already at **2°C¹** global warming more than twice as many species lose half habitat instead of range, compared to delete at **1.5°C¹**.

Business impacted by physical risk and climate change:

- Changes to temperatures, rainfall patterns and sea level rise
- Extreme weather: floods, cyclones and heatwaves
- Health and wellbeing impacts
- Loss of arables and liveable land areas

Business impacted by policy and behavioural change:

- Land development regulation
- Carbon regulation and taxes
- Technology shifts
- Shift in demand

¹ Compared to pre-industrial temperatures (1880–1899).

² From 2010 levels.

Rcp 8.5	Rcp 2.6
Risks	Risks
Challenging technical requirements for new production of housing units to withstand changed external stresses.	Potential conflict of interest between housing construction and the carbon-capturing capacity of the land or production of, for example, biofuels.
Conflicts in the wake of extreme weather conditions could impact, for example, conditions for global trade and access to construction materials.	Taxes and laws that provide incentive and regulate to ensure a reduced climate impact change the conditions for housing production.
Health and well-being of customers and employees are impacted in extreme weather situations.	Technology to help drastically reduce climate change needs to be developed promptly, since the built environment has a significant climate impact during both production and operation.
Access to land for residential development is complicated by physical effects of climate change locally and potential conflicts of interest owing to a global shortage of arable land.	Customer and investor demands and requirements for reduced climate impact are increasing.
Opportunities	Opportunities
Developing homes and neighbourhoods that are adapted to manage the effects of climate change, protecting residents' health and well-being.	Developing housing units that are climate smart from a life-cycle perspective, in neighbourhoods with a strong capacity for capturing carbon and local cooling effects. Bonava's science-based climate targets support this scenario.
Financial impact	Financial impact
Increased costs for more technologically advanced building construction, price increases for construction material, greater guarantee costs and higher investment costs for land as well as the risk of wasteful expenditures if land that has already been invested in becomes no longer suitable for housing construction.	Access to external financing can be ensured and customer demands can be met by ensuring the operations are in line with Bonava's climate targets. Investing in the development of efficient methods and materials can reduce future direct or indirect costs related to climate impact.

RCP 4.5: between RCP 2.6 and RCP 8.5, scenarios arise wherein risks from both of these development tracks are realised simultaneously.

Passionate workplace

We are dependent on committed employees who are willing to pursue change in order to achieve positive terms of employment and economic growth, especially since we are active in an industry with a high prevalence of accidents that is also characterised by limited diversity. This kind of change is a prerequisite for Bonava's success and simultaneously creates an opportunity to contribute to social progress outside our direct control.

Number of employees by occupational category at year end

	Occupational category	Total		Salaried employees				Skilled workers			
		2020	2019	Women		Men		Women		Men	
				2020	2019	2020	2019	2020	2019	2020	2019
Germany	Permanent, full time	837	831	232	223	439	432	0	0	166	176
	Permanent, part time	56	59	51	51	4	8	0	0	1	0
	Line consultants, full time	0	0	0	0	0	0	0	0	0	0
	Line consultants, part time	0	0	0	0	0	0	0	0	0	0
	Temporary, full time	60	56	19	12	39	40	0	0	2	4
	Temporary, part time	5	4	2	2	3	2	0	0	0	0
Sweden	Permanent, full time	288	299	145	149	143	150	0	0	0	0
	Permanent, part time	7	3	4	3	3	0	0	0	0	0
	Line consultants, full time	19	28	7	11	12	17	0	0	0	0
	Line consultants, part time	7	9	4	5	3	4	0	0	0	0
	Temporary, full time	3	2	3	0	0	2	0	0	0	0
	Temporary, part time	1	1	0	1	1	0	0	0	0	0
Finland	Permanent, full time	214	281	93	115	121	166	0	0	0	0
	Permanent, part time	6	1	3	1	3	0	0	0	0	0
	Line consultants, full time	3	10	1	9	2	1	0	0	0	0
	Line consultants, part time	0	0	0	0	0	0	0	0	0	0
	Temporary, full time	20	15	10	9	10	6	0	0	0	0
	Temporary, part time	1	3	1	2	0	1	0	0	0	0
Denmark and Norway	Permanent, full time	123	118	45	35	78	83	0	0	0	0
	Permanent, part time	1	3	1	2	0	1	0	0	0	0
	Line consultants, full time	0	4	0	2	0	2	0	0	0	0
	Line consultants, part time	0	1	0	0	0	1	0	0	0	0
	Temporary, full time	6	2	2	1	4	1	0	0	0	0
	Temporary, part time	1	2	1	2	0	0	0	0	0	0
St. Petersburg	Permanent, full time	204	204	102	87	76	85	1	2	25	30
	Permanent, part time	1	2	0	1	1	1	0	0	0	0
	Line consultants, full time	9	15	8	12	1	3	0	0	0	0
	Line consultants, part time	13	8	6	1	7	7	0	0	0	0
	Temporary, full time	96	87	22	20	22	19	14	12	38	36
	Temporary, part time	1	1	1	1	0	0	0	0	0	0
Estonia, Latvia and Lithuania	Permanent, full time	154	146	54	52	97	91	0	0	3	3
	Permanent, part time	2	1	1	1	1	0	0	0	0	0
	Line consultants, full time	0	2	0	0	0	2	0	0	0	0
	Line consultants, part time	0	0	0	0	0	0	0	0	0	0
	Temporary, full time	40	54	2	1	2	2	4	4	32	47
	Temporary, part time	2	2	0	0	2	2	0	0	0	0
Total	Permanent, full time	1,820	1,879	671	661	954	1,007	1	2	194	209
	Permanent, part time	73	69	60	59	12	10	0	0	1	0
	Line consultants, full time	31	59	16	34	15	25	0	0	0	0
	Line consultants, part time	20	18	10	6	10	12	0	0	0	0
	Temporary, full time	225	216	58	43	77	70	18	16	72	87
	Temporary, part time	11	13	5	8	6	5	0	0	0	0

Additional disclosures regarding number of employees:

All disclosures on the number of employees are compiled using information directly from Bonava's Group-wide HR system; no assumptions are made. We use the same definitions for all business units so as to ensure uniformity. Information in the Sustainability Report regarding employees is based on numbers and does not include students and interns, whereas line consultants (external consultants who fill an established role in Bonava's line organisation) and apprentices are reported. This definition of employee thus differs somewhat from the data reported in Note 4, where line consultants and apprentices are not reported and the information is based on full-time equivalents.

Hours worked for contractors under Bonava's site management come from systems for recording workplace attendance for all countries except Germany, where the hours are compiled from invoices. Hours worked for own employees are based on information from the salary management systems. To make the tables more easily comprehensible, only one comparison year is reported for employee-related metrics. See previous annual reports for more comparison years.

Millions of hours worked

Period	Own employees		Contractors under Bonava's site management	
	2020	2019	2020	2019
Germany	2.00	1.87	2.40	2.43
Sweden	0.49	0.65	0.33	0.25
Finland	0.50	0.61	0.54	0.73
Denmark and Norway	0.23	0.21	0.55	0.47
St. Petersburg	0.56	0.62	0.94	1.23
Baltics	0.49	0.34	0.72	0.64
Total	4.28	4.29	5.48	5.75

Collective bargaining agreements

Proportion of employees covered by collective agreements, %	2020	2019
Germany	97	98
Sweden	99	100
Finland	58	51
Denmark and Norway	0	0
St. Petersburg	0	0
Baltics	0	0

LABOUR CONDITIONS SUPPORTING OUR VALUES**Why this aspect is important (103-1)**

Because Bonava operates in markets in nine different countries, active efforts to strengthen our employees and corporate culture are particularly important. In order for every individual at Bonava to have the opportunity to grow, an environment that encourages positive performance and achievements is needed as well as opportunities to learn and develop under great leadership. Our strategy entails significant change processes, which further increases the need for change management. By building a strong culture, Bonava contributes to the following SDG target:

- **8.5** By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.

The management approach (103-2)

The Employee Net Promoter Score (eNPS), an employee loyalty and commitment index, is Bonava's most important employee-related indicator. During the year, we chose to highlight the most crucial of these, employee commitment, as an overall goal. The goal is to maintain a high result (84), and to further strengthen this

result (86) by 2023. Our annual Passionate Workplace employee survey follows up on this and other aspects related to labour conditions at Bonava for the entire company. Areas for improvement are identified in the departmental evaluations, which are then followed up on during the year. Employee performance and development are monitored and coached in direct dialogue through a structured process in which each employee has a quarterly review with their immediate supervisor. Mutual expectations, goals and development plans are thoroughly checked during the review. In addition, every employee is supported through regular monthly meetings with their supervisor.

Bonava Academy is the Group's competence development hub. As part of Bonava's Our Foundation programme, the function provides mandatory courses and training on subjects such as health and safety and environmental responsibility. Bonava Academy also develops and runs strategic improvement programmes such as L.E.A.D. as well as networks for managers and other key executives. All new employees participate in an onboarding programme that includes training and Group-wide introduction days, both at local Bonava offices and events at Bonava's head office in Stockholm.

The Bonava Change function, with change leaders who actively support projects for change throughout the Group, is important for improving our ability to lead and manage change. Bonava Change is part of Bonava's strategy and implementation division. Our culture and our values are supported by a network of internal ambassadors.

Evaluation and results (103-3)

Our most important monitoring tool is our Passionate Workplace employee surveys. This year's Passionate Workplace survey was largely conducted before the most sweeping event of the year – the pandemic – began affecting our operations. On the whole, departmental evaluations and monitoring could be conducted as planned, though with certain adjustments as regards time and place. The analysis showed stable positive results at an overall level, with continued strong results with respect to leadership, dramatic improvements in efficiency in the groups, and more employees who responded that they are fully committed (compared with previously, when more responded that they were committed, but not fully). This provided a strong basis for maintaining a sense of motivation and commitment during the spread of the pandemic. During the year, we also implemented new system support for monitoring and coaching employee performance and development, which is directly linked to a module for identifying and meeting continuing education needs.

Additional disclosures, Bonava indicator:

The Bonava indicator is used to report interim results from the Passionate Workplace survey. For loyalty, this is defined by the Net Promoter Score, which measures the willingness to recommend an employer, and for commitment by the Engagement Index. The Engagement Index is built on several in-depth questions developed by Brilliant Futures, our partner in the employee surveys. The benchmark is based on approximately 500,000 responses from over 200 organisations, both in the Nordics and internationally.

Bonava indicator: Commitment and loyalty

	2020	Bench- mark	2019	Bench- mark	2018	Bench- mark
Engagement index	84	79	84	79	85	79
eNPS ¹⁾	27	11	32	11	39	11

¹⁾ eNPS = Employee Net Promoter Score, the willingness to recommend an employer.

Comments on the results:

The aggregate interim results from the Passionate Workplace employee survey indicate a continued high level of commitment, while employees' willingness to recommend Bonava as an employer has decreased slightly. It remains much higher than the benchmark, however.

401-1 New employee hires and employee turnover, by age group and gender

No. during the year ¹⁾	Occupational category	Total		<30 years				30–50 years				>50 years			
		2020	2019	Women		Men		Women		Men		Women		Men	
				2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Germany	New employees	71	101	9	11	1	12	14	28	33	32	5	6	9	12
	Terminations	78	68	2	2	3	2	16	11	34	23	2	3	21	27
Sweden	New employees	26	51	6	6	1	6	6	18	9	17	2	1	2	3
	Terminations	40	34	2	1	0	0	15	10	13	15	6	6	4	2
Finland	New employees	26	87	3	7	1	11	6	17	9	36	2	2	5	14
	Terminations	95	59	7	1	9	3	27	17	38	25	6	5	8	8
Denmark and Norway	New employees	33	31	2	3	2	7	11	5	15	9	0	0	3	7
	Terminations	31	28	0	3	1	0	6	3	13	13	2	2	9	7
St. Petersburg	New employees	24	25	9	8	1	2	13	5	1	9	0	0	0	1
	Terminations	32	25	4	4	5	4	10	8	10	8	1	0	2	1
Estonia, Latvia and Lithuania	New employees	50	66	6	6	11	9	10	16	19	32	1	0	3	3
	Terminations	37	27	6	3	3	1	4	10	16	12	0	1	8	0
Total	New employees	230	361	35	41	17	47	60	89	86	135	10	9	22	40
	Terminations	313	241	21	14	21	10	78	59	124	96	17	17	52	45

¹⁾ Does not include fixed-term employment (line consultants and temporary employment).

401-1 New employee hires and employee turnover, summary

Employee turnover ¹⁾	Number, 2020	Share of entire staff	Number, 2019	Share of entire staff
New employees	230	10.6%	361	16.0%
Terminations	313	14.4%	241	10.7%

¹⁾ Does not include fixed-term employment (line consultants and temporary employment).

Comments on the results:

In 2020, the employment of 313 employees was terminated and 230 new employees started at Bonava. Employee turnover was in line with plans and expectations. The ambition is for employee turnover to level off over time after the transition to new working methods is complete. 81 new employees from all markets participated in Bonava's Global Onboarding Days at the head office in Stockholm at the beginning of the year. When the pandemic broke out, we had to change quickly and develop a digital version, in which 95 employees took part online. The new employees who did not manage to take part in the 2020 Global Onboarding Days must do so in 2021.

(404-3) Percentage of employees receiving regular performance and career development reviews

Bonava's system for monitoring development plans shows that 47 per cent (72) of all employees have their personal development plans for 2020 identified and monitored in the system. This is lower than in previous years, which is attributable in part to the ongoing implementation of new system support and in part to the fact that the pandemic impacted the conditions for setting and monitoring targets on an annual basis, especially in Germany, which was the last country to do so. Excluding Germany, which was unable to implement the new system support during the year, the figure is 78 per cent instead. In the annual Passionate Workplace employee survey, 73 per cent (76) of respondents said they had had performance reviews during the preceding six months. This is monitored at an overall level to determine whether managers need to be reminded, and we therefore do not have this information broken down by gender and occupational category.

HEALTH AND SAFETY**Why this aspect is important (103-1)**

Working on construction sites continues to be associated with risks. Reducing these risks requires preventive work as well as efforts to strengthen the corporate culture. With proper routines and a strong focus on both health and safety, Bonava will reach many more people than just the own employees, and will thereby contribute the following SDG target:

- **8.8** Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.

The management approach (103-2)

Bonava has adopted a long-term vision for health and safety: Zero Harm. Zero Harm means that no one – customers, employees, suppliers or members of the general public – should be injured or fall ill because of Bonava's workplaces. To achieve this, we prioritise preventive health and safety work and have a comprehensive Zero Harm programme that includes detailed targets, activities, and indicators for monitoring that primarily encompass the following focus areas:

- health and safety leadership and culture that create business value
- well-being and work-life balance
- streamlined processes and systems
- involving our subcontractors

Every year, each business unit breaks down the detailed goals into local activities and interim goals to be achieved during the year. The Board and management team monitor progress on a quarterly basis, including how the aggregate Zero Harm plan is fulfilled, as well as risks, serious incidents and accidents that have been identified. In addition, individual follow-ups are carried out with the Business Unit Presidents in the following four areas: compliance with occupational health and safety requirements at construction sites, risk reduction as a result of both preventive and assistance measures, frequency of management/closures of reported risk observations, and incident and accident frequency.

The same requirements are imposed on subcontractor staff as on our own staff in order to protect their health and safety at Bonava's workplaces. Examples of rules that must be followed include securing information on who is permitted entry into the workplaces and ensuring that these people have the correct authorisations, using

complete and correct personal protective equipment, and documenting risk assessments prior to hazardous tasks. Safety instructions have been made available in a way that eliminates any potential confusion due to language, for example, through Bonava's Silent Book, which illustrates safe working methods without using words.

Evaluation and results (103-3)

Bonava's management team and Board of Directors follow up on health and safety performance at every meeting. Health and safety initiatives in 2020 were strongly influenced by the spread of the pandemic caused by the SARS-CoV-2 virus, for which we invested tremendous resources into preventive work and information for safe work. In addition, the 90-day intensive focus initiated in 2019, aimed at achieving total compliance with all of Bonava's health and safety instructions for construction sites, was concluded.

We conducted a questionnaire at all work sites to survey Bonava's health and safety culture. This was carried out prior to this year's Awareness Day for the purpose of providing all organisational units with the opportunity to process their results and identify measures for improvement.

A Hazard Hunt – an activity to identify hazards at construction sites and offices – was held in conjunction with the World Day for Safety and Health at Work. We developed and implemented a company-wide standard for work at heights, implemented an informational campaign for handheld tools at all construction sites and developed several company-wide health and safety processes.

(403-1) Occupational health and safety management system

Bonava's standard for occupational health and safety management systems was developed in accordance with ISO 45001 and contains most of the requirements in the international standard. Bonava's occupational health and safety management system is applied throughout the Group's business model, from land acquisition, design and production to customer service as well as all support functions.

When we purchase design and production services from external contractors, their management system is followed provided that the terms of the contract and legal requirements are complied with.

(403-2) Hazard identification, risk assessment, and incident investigation

It is important for Bonava to be aware of, assess and manage the risks and hazards that could negatively impact the health and safety of our own staff or that of our subcontractors. We therefore conduct thorough risk assessments at least once a year and ahead of major changes, and in every project before particularly hazardous work is begun. Risk analysis is a natural part of the basis for decisions in all projects and ahead of changes. Risk analyses are always preventive in nature in order to assure the appropriate choice of activities and protective measures for the purpose of reducing the risk level. Contractors are invited to take part in safety inspections and are encouraged to routinely report risks, incidents and accidents.

Hazards are identified and managed preventively and routinely through risk observation reporting, monitoring of the work environment by the managers responsible, and safety inspections. The hazards are assessed in BIA, Bonava's system support for health and safety. We consider risk reporting and management to be so important that it comprises part of Bonava's bonus programme. To provide assistance in this regard, investigations are conducted for the purpose of identifying root causes, and ensuring that measures are taken as a result of accidents and incidents. Incidents are followed up through BIA. We also share information about serious incidents through safety alerts so that all business units can immediately verify that the identified risk does not exist in their operations.

Bonava also applies a tool we call "Time-Out", which allows people to stop and correct their work in the event of hazardous situations or behaviour. Everyone is encouraged to be observant and, if necessary, to use this approved and well-known tool. If a time-out is needed, everyone should take one.

Risks, incidents and all safety alerts are addressed and managed on a quarterly basis by both the Executive Management Group and

the Board of Directors. Monthly reports are sent out from the Health and Safety division's system support to all business unit management teams.

(403-3) Occupational health services

Health risks, such as stress levels and the opportunity for recuperation, are monitored at the company level through the Passionate Workplace employee survey and subsequent workshops. Occupational health and safety audits and risk assessments are conducted annually for the respective units and monitored at unit meetings during the year. The health and work situation of individual employees is monitored through the performance and development process, using thorough reviews with their immediate supervisor on a quarterly basis and shorter reviews on a monthly basis. In addition, key metrics such as sick leave and the frequency of work-related ill health are monitored on a quarterly basis.

(403-4) Worker participation, consultation, and communication on occupational health and safety

Occupational Health and Safety Committee meetings are held in all business units, with participants representing both the employer and employees. Meetings are held on at least a quarterly basis, in accordance with a set agenda. Occupational health and safety work is addressed in collective agreements in the geographical markets where they exist.

(403-5) Worker training on occupational health and safety

Based on role, risk assessment and responsibility, courses in health and safety are mandatory for both our own staff and that of our contractors. A health and safety introduction is provided before entry into Bonava's construction sites.

Every year, an Awareness Day is held to train the organisation – including all staff and contractors at construction sites under Bonava's site management and Bonava's offices – in increased health and safety. For 2020, the day was mostly held digitally. This year's theme was Bonava's corporate culture from a health and safety perspective in accordance with the Hudson culture ladder. The activities were based on the results of a survey that all employees across Bonava responded to, broken down by the respective units.

403-6 Promotion of worker health

Health and wellness, and social health and safety factors, are important focus areas at Bonava, and each business unit has a documented health and wellness programme. As part of this programme, employees are offered health check-ups, and health and wellness are encouraged through group health-promoting activities organised during and outside work hours. For privacy reasons, Bonava avoids storing health-related information about its employees. This is why documents such as doctor's certificates are managed by payroll contractors, and not by Bonava directly.

(403-7) Prevention and mitigation of occupational health and safety impacts directly linked by business relationships

As part of our supplier requirements, we require that all our suppliers – not just those who will be present at Bonava's construction sites – engage in systematic occupational health and safety work. Relevant indicators for comparison and monitoring levels are determined based on a risk assessment and purchase volumes. According to our risk assessment, the greatest risk for our operations is falls from heights, and in 2020 the management team therefore established a Group-wide standard, *Work at heights*, to prevent such accidents.

(403-8) Workers covered by an occupational health and safety management system

All employees are covered by Bonava's standard for occupational health and safety management, with possible exceptions for employees in investment projects where the investor's health and safety requirements may take priority.

(403-9) Work-related injuries

	Number of work-related injuries ¹⁾						Work-related injuries, frequency, time lost ²⁾						Work-related injuries, frequency, total ³⁾	
	2020 ⁴⁾	2020 ⁵⁾	2019 ⁴⁾	2019 ⁵⁾	2018 ⁴⁾	2018 ⁵⁾	2020 ⁴⁾	2020 ⁵⁾	2019 ⁴⁾	2019 ⁵⁾	2018 ⁴⁾	2018 ⁵⁾	2020 ⁴⁾	2019 ⁴⁾
Germany	32	13	27	12	32	14	7.3	6.5	6.3	6.4	8.2	9.8	7.3	7.9
Sweden	4	0	5	0	1	0	4.6	0	5.1	0	1.6	0	6.9	7.2
Finland	14	1	25	1	6	1	13.4	2	18.7	1.6	6.2	2.2	26.8	29.2
Denmark-Norway	2	0	8	0	13	0	2.6	0	11.8	0	23.9	0	7.7	31
St. Petersburg	2	2	1	1	0	0	1.3	3.6	0.5	1.6	0	0	1.3	0.6
Baltics	6	4	6	1	0	0	5.9	13.8	6.1	2.9	0	0	8.9	6.1
Total	60	20	72	15	52	15	6.3	4.9	7.1	3.5	6.3	4.6	8.6	10

¹⁾ Number of work-related injuries leading to sick leave.

²⁾ Number of work-related injuries leading to sick leave, per million hours worked (LTIFR).

³⁾ Total number of work-related injuries requiring visits to health care or adjustment of work tasks (without working days lost) and those leading to sick leave,

per million hours worked (TRIFR).

⁴⁾ Bonava's employees and contractors under Bonava's site management.

⁵⁾ Bonava's employees.

N/A = Not Available

Comments on the results:

No work-related fatalities have occurred during the period in which Bonava has existed as an independent company, meaning since its listing in 2016. The preceding year's break with the positive trend of decreasing accidents was not repeated in 2020; once again, the trend is positive. The most common types of work-related injuries are cuts, ligament injuries and soft tissue injuries. The body parts most frequently injured were feet, hands, fingers and arms. The injuries most often occurred as a result of stumbling on level

ground, contact with sharp objects or being hit by falling objects. The frequency for the total number of work-related injuries (TRIFR) reported is higher than the frequency of injuries resulting in sick leave (LTIFR), which is a positive development. This means, on the one hand, that injuries were tended to in a way that enabled sick leave to be avoided, and on the other hand, that the routines for reporting and categorising different types of injuries are strong. This new indicator, which Bonava began reporting in 2019, follows the new updated GRI standard for health and safety.

403-10 Work-related ill health

	Sick leave, % ¹⁾			Work-related ill health, number ²⁾			Work-related ill health, frequency ⁵⁾		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Germany	6.1 (N/A)	6.6 (N/A)	7.2 (N/A)	N/A	N/A	N/A	N/A	N/A	N/A
Sweden	1.8 (0.4)	1.7 (0.2)	2.3 (N/A)	2	4	N/A	0	6.2	N/A
Finland	1.0 (0.4)	1.7 (0.8)	2.5 (N/A)	15	22	N/A	29.8	36.1	N/A
Denmark-Norway	2.0 (0.2)	2.4 (0.3)	1.7 (N/A)	4	5	N/A	17.3	23.9	N/A
St. Petersburg	4.2 (0.0)	1.8 (0.0)	3.3 (N/A)	0	0	N/A	0	0	N/A
Baltics	1.3 (0.3)	1.5 (0.0)	1.5 (N/A)	0	0	N/A	0	0	N/A
Total	4.1 (0.4)	3.9 (0.4)	4.6 (N/A)	21	31	N/A	5.2	7.2	N/A

¹⁾ Number of hours of sick leave, both work-related and non-work related, in relation to total hours worked, Bonava employees (of which, work-related sick leave).

²⁾ Number of cases of wholly or partially work-related ill health, Bonava employees.

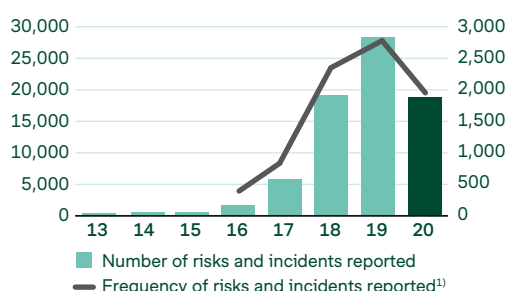
³⁾ Number of wholly or partially work-related ill-health reported per million hours worked (LTILFR), Bonava employees.

N/A = Not Available

Comments on the results:

The greatest risks for work-related illnesses, as identified through Bonava's anonymous Passionate Workplace employee surveys and occupational health and safety audits, are having too much to do and lack of clarity on how to do it as regards both processes and systems as well as responsibilities and authority. The most common types of work-related ill health are stress-related illnesses. To reduce these risks, we have implemented various measures, such as more coordinated change processes, new job architecture for roles and role descriptions, and training. We can see that this has had a positive effect – especially for employees at the Group level who were previously more affected by a lack of clarity – even though stress-related illness still occurs. In Denmark, which previously stood out as a negative

example, we conducted special internal seminars in stress orientation to increase knowledge and create awareness of the characteristic symptoms of stress, which has had a positive effect. Previous initiatives aimed at reducing stress-related problems in Finland are also beginning to have an effect. Wholly or partially work-related sick leave, in brackets in the table above, includes sick leave resulting from accidents and/or illness. The proportion of sick leave hours owing to illness has already decreased significantly in this indicator. As of early 2021, all our managers will have access to support for stress coaching, with the intent of further reducing work-related ill health. Bonava does not report work-related ill health in Germany, since information on the causes of sick leave cannot be recorded there. Nor do we have access to data related to sick leave for contractor employees.

Risks and incidents (part of 403-2)

¹⁾ Number of risks/incidents reported per million hours worked.

Additional disclosures on health and safety

Hours worked are shown in the table on page 31. The graph to the left shows the number of risk observations and incidents per year (bars) and their frequency per million hours worked (line). Incidents are occurrences that could have led to an accident, but did not. The systematic task of identifying and investigating risks and incidents in order to improve routines and working practices to avoid accidents is key to creating safer workplaces. The fact that many risks and incidents are reported is therefore positive, and completely in line with Bonava's plan for improving health and safety. The downturn in reporting during 2020 is due to the effects of the pandemic, and the fact that fewer targeted initiatives – for example, workplace inspections by managers – could be carried out owing to the limitation on visits to construction sites.

DIVERSITY

Why this aspect is important (103-1)

Bonava aims to serve as an example when it comes to diversity, with the goal of ensuring access to a broad recruitment base and of our employees reflecting the population as a whole. This will make it simpler to carry out Bonava's mission: to create better homes and lives for the many. It is crucial for Bonava's ability to serve as an example that all our employees act based on our values. This includes acting with mutual respect. Through its diversity initiatives, Bonava contributes to the following SDG target:

- **8.5** By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.

The management approach (103-2)

Bonava endeavours to be a welcoming workplace characterised by diversity and a focus on collaboration. Our Code of Conduct emphasises that Bonava stands for equal opportunities regardless of gender, transgender identity or expression, ethnic origin, religion or other beliefs, disability, sexual orientation and age. The degree of our success in achieving this is monitored in the Passionate Workplace annual employee survey. We also conduct regular salary surveys to determine whether salaries are equal, and have a procedure to adjust them in addition to the normal annual salary review.

Internships and apprenticeships as well as various mentoring programmes are available in all of Bonava's markets. In Germany, for example, we have a programme in place that supports the integration, development and training of young refugees with the aim of offering employment at Bonava. Employees in Sweden are invited to participate as mentors in the "Mitt Livs Chans" programme, a mentoring programme intended to be a bridge to the Swedish labour market for skilled immigrant labour.

Through active skills development and internal recruitment for management positions, we set a good example and ensure that our entire pool of employees achieves its full potential so that Bonava's organisation becomes as effective and as dynamic as possible.

Evaluation and results (103-3)

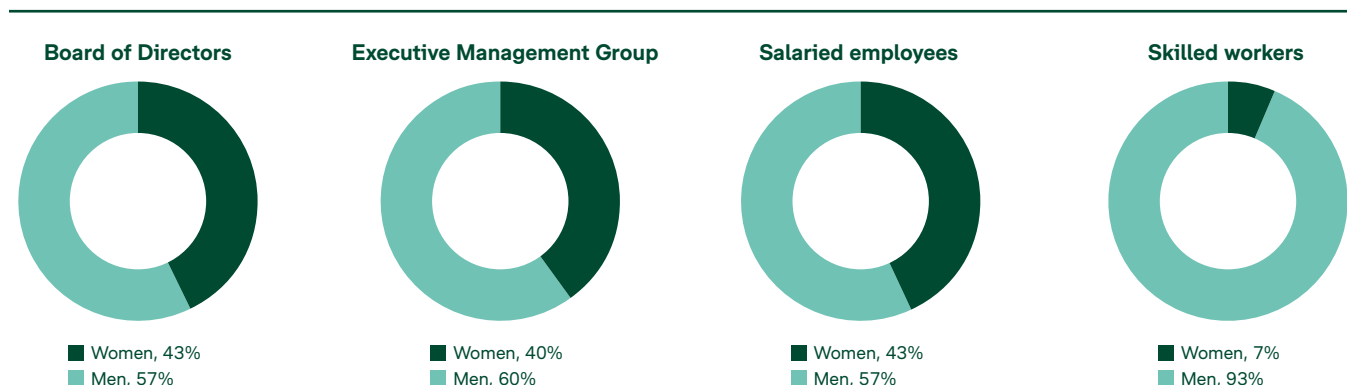
This year's Passionate Workplace survey answered the question of how well Bonava upholds equal opportunities and obligations so that the earlier positive trend continues and Bonava's results are better than the comparison index of the survey. This year, we once again earned a place on the Allbright Foundation's Green List as one of the most equitable companies in Sweden. Bonava Sweden was also highly ranked in the first Swedish version of the SHE Index powered by EY, where the results were based on criteria such as gender diversity, policies, key performance indicators and talent development. Bonava Sweden placed sixth on the list.

Comments on the results:

After the preceding year's restructuring of the Executive Management Group, Bonava's Executive Management Group and Board of Directors were both nearly entirely gender-balanced in 2020. The skilled employees category still stands out as negatively uneven, with few women employees. This will take a long time to change, due in part to the industry structure in the geographical markets where Bonava has employed skilled workers. In order of size, these markets are: Germany, St. Petersburg, the Baltics and Finland. In Germany, where most of Bonava's skilled workers are employed, there are few skilled women workers to hire. St. Petersburg, on the other hand, is home to a full 14 of the 19 skilled women workers who worked for Bonava in 2020. The age distribution is reasonable. Diversity as regards ethnic origin, sexual orientation, disability or religion cannot and should not be monitored with data from the employee database.

405-1 Diversity of governance bodies and employees

Diversity (age distribution), no. at year end	<30 years				30–50 years				>Age 50			
	Women		Men		Women		Men		Women		Men	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Board of Directors	0	0	0	0	1	1	0	1	2	2	4	3
Executive Management Group	0	0	0	0	2	2	3	4	2	3	3	1
Salaried employees	140	139	137	161	516	502	658	683	138	130	254	248
Skilled workers	0	0	17	21	6	8	128	146	13	10	122	129
Line consultants	10	18	10	12	13	15	11	18	3	7	4	7



Reliable business

Expectations with respect to transparency and social responsibility are increasing among all our stakeholders, primarily as an effect of generally heightened awareness about the global challenges our world is facing. Another important driving force is the evolution of the digital information society. To be a credible business partner, it is becoming increasingly important that we openly disclose how we are complying with universal principles and contributing to the UN SDGs.

COMPLIANCE

Why this aspect is important (103-1)

Developing neighbourhoods and housing units involves contact with a range of stakeholders such as customers and employees, but also public authorities, suppliers as well as shareholders and banks, who are particularly important. Bonava's ability to operate in the market is dependent on the confidence of its stakeholders. Predicting risks and being proactive in preventing the realisation of risks is crucial for the company's brand and profitability.

→ Information about Bonava's most substantial risks and how they are managed is presented on pages 55–57. An illustration of scenario analyses for Bonava's long-term climate risks is presented on page 29.

The management approach (103-2)

Bonava's internal regulations and processes are defined in our Code of Conduct as well as our policies and business management system. The Code of Conduct has been updated to clarify responsibilities in relation to Bonava's sustainability agenda, values and principles for human rights, fair labour conditions, environment and anti-corruption. Bonava's programme for compliance with the Code of Conduct is called Our Foundation. The programme includes training modules and different tools to help employees make the right decisions. Ethical guidelines offer help concerning the most frequently asked questions, such as how entertainment and hospitality, personal gifts, conflicts of interest and competition legislation are to be managed in an ethically correct manner. We also have some 20 ethics advisers appointed in all business units and centrally for the Group, with access to a shared forum and legal competence. Everyone employed by Bonava is encouraged to turn to their ethics adviser as soon as any ambiguities arise as to what is the correct action for complying with Bonava's values and Code of Conduct. Our Ethics Committee, which consists of experienced employees from all business units and from the Group centrally, conducts regular meetings to discuss current ethical topics for the purpose of improving our procedures and continually strengthening Our Foundation.

Bonava's SpeakUp system, a whistle-blower function, enables employees and individuals outside the company to report suspected breaches anonymously via the internet or by phone. The system is run by an independent service provider. Raising the alarm about potential irregularities is encouraged as a way of helping the company, and anyone who does so has the expressed support of Bonava's top management. Whistle-blower protection is established directly in the Code of Conduct. Reported deviations from the Code of Conduct and policies that come in through the whistle-blower function or other channels are investigated in accordance with an established procedure that determines who will be the investigator responsible based on the character of, and those involved in, the situation in question. If the investigation shows an actual deviation, measures are also established which, depending on the degree of severity and existence of intent behind the deviation, can include everything from amended internal routines to formal warnings, termination of employment and/or a police report.

Bonava's procedures for internal control of risks and compliance are important for ensuring the application of the precautionary

principle and principle of continuous improvement. Bonava manages its financial and non-financial risks using an integrated procedure with a Risk Committee that is led by Bonava's Head of Risk and Compliance and includes the CFO, the General Counsel, the Group Accounting and Consolidation Manager and the Head of Sustainability. Every year, the Risk Committee carries out an annual cycle in which all risks are reviewed for the materiality analysis, and all business units and central Group functions are involved in evaluating all the company's control functions in order to manage the risks. Over the long term, risks are evaluated as part of the annual review of Bonava's sustainability agenda. Illustrations showing examples of scenario analyses for long-term climate risks are shown on page 29.

Evaluation and results (103-3)

Our Foundation workshops with selected employees in all of Bonava's markets have evaluated the ethical guidelines, and our ethics committee has identified areas of improvement for the Our Foundation compliance programme at its recurring meetings. This year's evaluation shows that the questions to the ethical advisers were relatively evenly spread out among them over the past year, and primarily concerned handling of entertainment and hospitality as well as personal gifts.

In June 2020, Bonava's application was approved for membership in Transparency International Sverige's Corporate Supporters Forum, a network for leading companies that collaborate to promote better general compliance initiatives and increased transparency, integrity and responsibility for the purpose of combating corruption. The decision was preceded by a structured application process in which Bonava's processes and reporting were reviewed in relation to Transparency International's guidelines.

During the year, we also implemented system support that will help estimate both existing risks in the operations and how well the minimum controls to minimise these risks are functioning, with good results. This facilitates monitoring and feedback for improvement.

(205-2) Communication and training about anti-corruption policies and procedures

All Bonava employees undergo web-based training in Our Foundation, which includes anti-corruption. This is followed up on a quarterly basis to ensure that new employees do not miss this step of the onboarding process. Selected groups of employees are further trained each year by the ethics advisers in each business unit and at Group level. This provides opportunities for discussions and practical experience in handling ethical dilemmas. The ethical guidelines are presented and communicated on the intranet. There are notice boards at all of Bonava's work sites which are used to convey the Code of Conduct, ethical guidelines and our values. In the supplier requirements that are included in all contracts with new suppliers, we specify the requirements for compliance with the UN Global Compact, our Code of Conduct and ethical guidelines, including counteracting corruption.

In 2020, advanced courses could only be held in markets where physical meetings were possible, with the result that several courses were postponed until the following year. 101 employees took the advanced course. The structure of the course is not deemed suitable for digital training.

205-3 Confirmed incidents of corruption and actions taken**206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices****307-1 Non-compliance with environmental laws and regulations****419-1 Non-compliance with laws and regulations in the social and economic area**

Reported deviations	2020		2019		2018	
	No.	Comment, consequence	No.	Comment, consequence	No.	Comment, consequence
Bonava SpeakUp	5		7		8	
Other channels	7		8		4	
Total no. of reports	12		15		12	
Of which, significant deviations:	4	Three employees terminated, one formal written warning	5	Four employees terminated, one formal written warning	4	Two employees terminated, one formal written warning and an amended internal routine
Of which, deemed groundless or not significant enough for formal consequences following investigation:	8		10		8	
Legal action against competition-restricting practices or significant sanctions for breaches of current laws and regulations	0		0		0	

Comments on compliance:

The deviations that were reported during the year and proved to be serious violations of the Code of Conduct after investigation concern one case of sexual harassment, one case of unlawful promotion of one's own business using Bonava's funds, unlawful operation of a side business during working hours, and operation of equipment for private use in combination with unlawful access to Bonava's construction site in contravention of Bonava's health and safety regulations. None of the deviations identified concerned suspicions of corruption.

19 environmental incidents were reported through Bonava's Group-wide system support for risk management and reporting of incidents concerning the environment, health and safety in the operations. All reports consisted of minor deviations from routines or accidents without lasting damage to the environment that resulted in corrections and communication measures.

RESPONSIBLE SUPPLY CHAIN MANAGEMENT

Why this aspect is important (103-1)

Bonava collaborates actively with approximately 12,500 different suppliers yearly. A long-term perspective and mutual learning in relation to suppliers is crucial to our strategy and to reaching several of the targets in our sustainability agenda, in particular the climate targets.

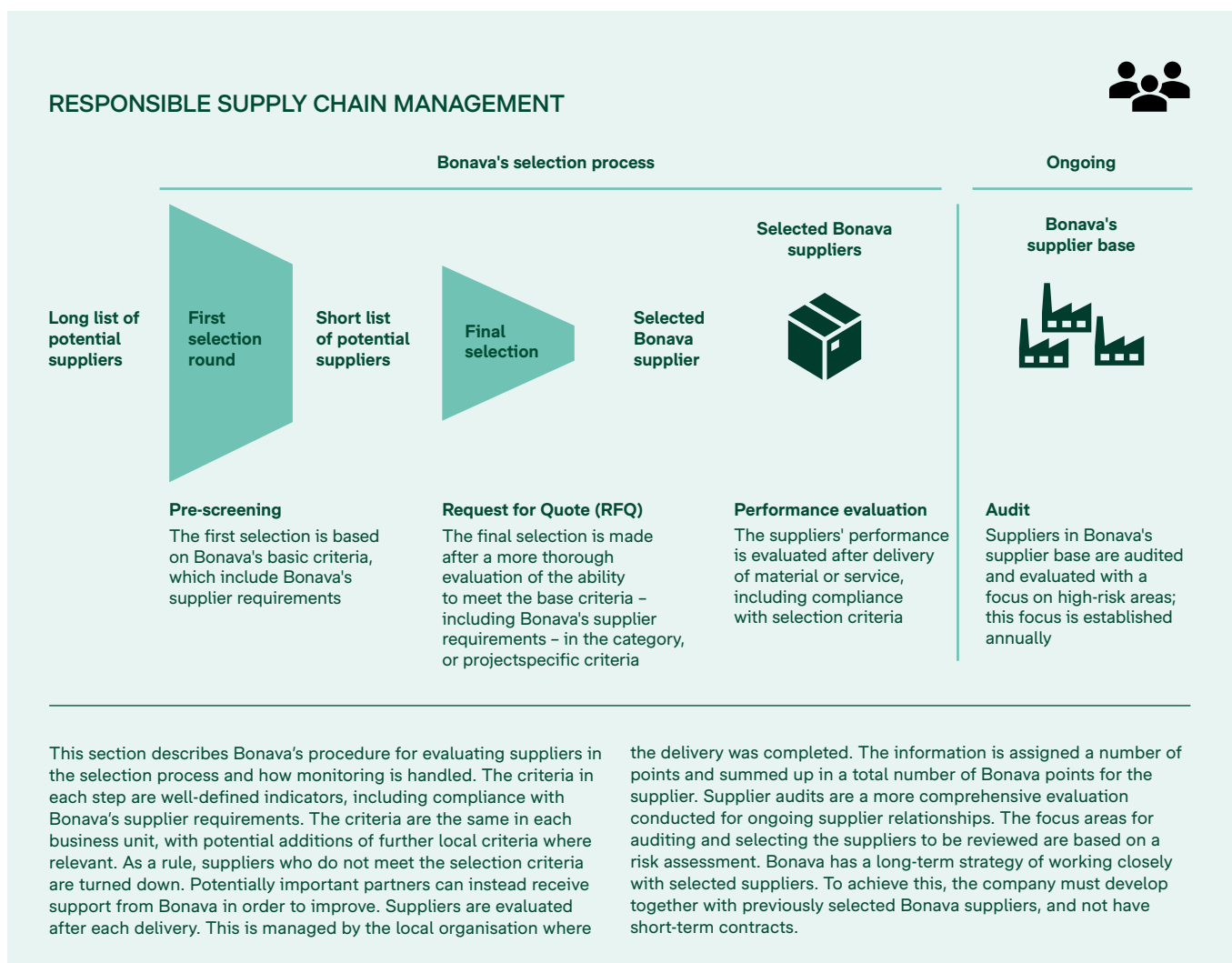
Our suppliers can be divided into three overarching categories: construction subcontractors, service providers and materials suppliers.

Using the principles of the UN Global Compact to create tangible requirements and gradually take more direct responsibility for purchasing creates the conditions for Bonava to contribute to the following SDG targets:

- **17.11** Significantly increase the exports of developing countries, in particular with a view to doubling the least developed countries' share of global exports by 2020.
- **8.7** Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms. End child labour in all its forms by 2025 at the latest.)

The management approach (103-2)

Bonava imposes Group-wide requirements that all suppliers must meet. To qualify as a Bonava supplier, the company's supplier requirements must be met. This includes requirements for systematic environmental and health, safety, environment and quality (HSEQ) work and compliance with the UN Global Compact in the form of Bonava's requirements regarding acceptable salary levels, working hours and paid holiday, responsibility for human rights, anti-corruption and tax payments. Suppliers must also meet Bonava's requirements regarding documentation and opportunities for inspection. Bonava's supplier requirements also encourage suppliers to raise an alarm directly with the company or through SpeakUp, our whistle-blower system, if they believe Bonava or any of its employees are violating the Code of Conduct. We continuously develop our procurement procedures and tools to improve supplier evaluations. Over the past few years, Bonava has identified suppliers who are now part of the selected supplier base. Suppliers in the selected supplier base who perform poorly in terms of delivery or who, during supplier audits, show they do not meet the criteria for being a Bonava supplier are given the opportunity to correct their faults. In serious cases, the supplier is dismissed.



Evaluation and results (103-3)

2020 was strongly marked by the need to manage the risk that the spread of the pandemic caused by the new virus would impact the capacity of the supply chain to deliver to Bonava. The primary focus, particularly during the spring, was thus on ensuring deliveries and on keeping production going, which was successful under the circumstances. We have also consolidated our efforts in order to rapidly handle any deviations and work from a more long-term perspective with good control of the supply chain. In addition to the review prior to signing a contract, which is presented in the table below, 520 suppliers with an aggregate contract value of SEK 3 billion were evaluated during the year in connection with the conclusion of projects. Using a points system, suppliers who were complying properly with our requirements were identified, as were those that needed to improve to be hired again or alternately dismissed completely. 4 per cent of the suppliers reviewed fall under the category of needing improvements; no suppliers were dismissed completely in 2020.

308-1 New suppliers that were screened using environmental criteria**414-1 New suppliers that were screened using social criteria****409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour***Comments on the results:*

Bonava's routines for supplier reviews and the inclusion of Bonava's supplier requirements in all contracts has begun to work well, as has follow-up after delivery. Going forward, there will be increased focus on in-depth reviews of specific risks and follow-up during deliveries, for example as regards the risk of forced labour. We are of the opinion that the risk of forced labour is greatest in the markets where temporary immigrant labour power is frequently used. This kind of labour power exists in all our markets. Apart from imposing and following up on Bonava's supplier requirements, the most important way of reducing the risk of forced labour is increasing the capacity to control who is permitted entry into Bonava's workplaces. All business units have had this capacity evaluated and tightened their procedures in this regard.

New contracts signed during the year, with approved Bonava supplier requirement review	2020		2019		2018	
	Number of reviews	Share of total value, new contracts, %	Number of reviews	Share of total value, new contracts, %	Number of reviews	Share of total value, new contracts, %
Nordics ¹⁾	786	97	751	92	160	33
Germany	1,381	100	1,300	100	1,498	100
St. Petersburg and the Baltic region	691	96	473	100	117	47

¹⁾ Sweden, Finland, Denmark and Norway.

TAX**Why this aspect is important (103-1)**

Tax revenue is crucial for social progress in the markets where Bonava operates, and ultimately facilitates the creation of happy neighbourhoods where people have the highest quality of life. We also consider assuming tax responsibility to be an issue of trust. Bonava therefore regards tax as a sustainability topic and contributes to the following SDG target:

- **17.1** Strengthen domestic resource mobilisation, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection.

The management approach (103-2)

Bonava contributes to society's tax revenue primarily through corporate tax and other own taxes and fees, such as property tax or fees, transaction fees and social security contributions, but also indirectly through VAT and employee withholding taxes. We have a policy of avoiding tax risks.

As part of this, Bonava:

- Complies with applicable tax legislation in all countries where it operates
- Conducts itself in accordance with the OECD's transfer pricing guidelines
- Maintains transparent relationships with tax agencies in all countries where it operates
- Does not avoid taxation through artificial and aggressive tax schemes

Our business units report to and consult with the Group's Head of Taxation Issues. Checks to ensure that no tax risks or inaccuracies arise in any business unit are integrated into our process and the risk management system, which is led by Bonava's Head of Risk and Compliance. The efficiency of tax-related checks is evaluated by Bonava's Risk Committee together with the Head of Taxation Issues.

Evaluation and results (103-3)

For the last two years, Bonava has presented an overview of total taxes – both its own and collected – broken down by market to show how Bonava contributes to these countries' tax revenue. Refer to the table on the following page. 2020 was the first year for which Bonava used GRI indicator 207 for tax (2019), and we are therefore supplementing this report with information from country-by-country reporting in accordance with OECD guidelines. Bonava compiles a report of this type every year for the Swedish Tax Agency, and the country-by-country table below provides information from the latest published report (i.e., pertaining to the 2019 financial year), whereas other taxes and fees are recognised as paid and collected during 2020.

(207-1, 2, 3) Tax approach, tax governance and tax organisation

Bonava's commitment to sustainable tax management (see above) is reflected in its mandatory tax procedures, which are established by the CEO. These procedures are revised on a regular basis and apply to all of the Group's business units. Bonava's Head of Taxation Issues is responsible for these procedures and has overall responsibility for Bonava's tax strategy, assessment of tax-related risks and internal pricing. Our business units are responsible for managing ongoing tax-related issues and risks, including collaboration with local tax authorities. Specific inquiries from other external stakeholders – the media, for example – are managed with support from the Head of Taxation Issues. The business units escalate to the Group's Head of Taxation Issues in situations with increased tax-related risks. If there are suspicions that Bonava's commitments to sustainable tax management are not being complied with, this is taken up directly with the Head of Taxation Issues or alternately reported anonymously through Bonava's SpeakUp whistle-blower system for further investigation.

207-4 Country-by-country reporting, and total tax contribution

Income tax country by country, SEK M	Germany			Sweden			Finland		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
The number of companies the report applies to	7	6	6	95	108	99	1	2	2
External revenue ¹⁾	N/A	6,401	6,058	N/A	3,929	4,486	N/A	2,549	2,118
Internal revenue ¹⁾	N/A	2,961	1,078	N/A	274	274	N/A	12	14
Profit before tax ¹⁾	N/A	587	838	N/A	1,264	2550	N/A	-264	45
Property, plant and equipment other than cash and cash equivalents ¹⁾	N/A	8,372	5,625	N/A	2,705	1,485	N/A	36	52
Income tax paid ¹⁾	N/A	241	83	N/A	1	0	N/A	-58	7
Accrued income tax for the year ¹⁾	N/A	101	140	N/A	21	80	N/A	0	9
Other own and collected taxes, SEK M									
Property tax, paid	5	5	0	6	7	8	8	6	8
Transfer tax, paid	62	91	70	14	30	27	7	1	12
Social security contributions, paid ²⁾	138	99	90	88	86	79	3	2	1
Other taxes, paid	0	1	0	0	0	0	0	0	0
VAT, collected	-10	-9	0	384	447	478	248	297	270
Employee withholding taxes, collected	132	112	120	89	91	86	57	59	47

Income tax country by country, SEK M	Denmark			Norway			St. Petersburg		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
The number of companies the report applies to	5	5	3	18	12	4	3	3	3
External revenue ¹⁾	N/A	786	533	N/A	982	700	N/A	940	573
Internal revenue ¹⁾	N/A	7	13	N/A	6	1	N/A	6	4
Profit before tax ¹⁾	N/A	-26	16	N/A	235	135	N/A	174	9
Property, plant and equipment other than cash and cash equivalents ¹⁾	N/A	1,319	1223	N/A	850	575	N/A	1,873	1,448
Income tax paid ¹⁾	N/A	-1	5	N/A	4	0	N/A	46	6
Accrued income tax for the year ¹⁾	N/A	10	-3	N/A	21	4	N/A	33	6
Other own and collected taxes, SEK M									
Property tax, paid	4	8	2	1	0	1	3	2	1
Transfer tax, paid	1	0	2	0	0	0	0	0	0
Social security contributions, paid ²⁾	0	0	0	6	4	3	16	16	12
Other taxes, paid	0	0	0	0	0	0	4	0	0
VAT, collected	71	110	13	13	8	7	10	5	-4
Employee withholding taxes, collected	28	34	34	14	9	7	8	9	7

Income tax country by country, SEK M	Estonia			Latvia			Lithuania		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
The number of companies the report applies to	2	2	2	1	1	1	1	1	0
External revenue ¹⁾	N/A	139	145	N/A	310	83	N/A	0	N/A
Internal revenue ¹⁾	N/A	3	2	N/A	6	3	N/A	0	N/A
Profit before tax ¹⁾	N/A	2	3	N/A	36	1	N/A	-2	N/A
Property, plant and equipment other than cash and cash equivalents ¹⁾	N/A	4	4	N/A	277	238	N/A	0	N/A
Income tax paid ¹⁾	N/A	0	0	N/A	0	0	N/A	0	N/A
Accrued income tax for the year ¹⁾	N/A	0	0	N/A	0	0	N/A	0	N/A
Other own and collected taxes, SEK M									
Property tax, paid	0	0	0	2	2	1	0	N/A	N/A
Transfer tax, paid	0	0	0	0	3	0	0	N/A	N/A
Social security contributions, paid ²⁾	8	6	5	8	7	5	0	N/A	N/A
Other taxes, paid	0	0	0	3	1	0	0	N/A	N/A
VAT, collected	7	-2	17	32	59	9	0	N/A	N/A
Employee withholding taxes, collected	6	4	3	10	10	6	0	N/A	N/A

¹⁾ Annual country-by-country report to the Swedish Tax Authority; 2020 will be reported by 31 December 2021 at the latest.

²⁾ Paid in Germany, not as tax to the authorities but as a fee to insurance companies.

N/A = Not Applicable

N/A = Not Available

Comments on the results:

We disclose the annual country-by-country account of income tax that is reported to the Swedish Tax Agency. The information for 2020 will therefore not be available until the country-by-country account has been submitted to the Tax Agency at the end of 2021. The difference between income tax reported and what the tax would have been if only local tax rates had been applied consists of non-deductible expenses, non-taxable revenues and the tax effect resulting from non-capitalised tax loss carry-forwards. None of these items were over 10 per cent of the total tax for 2019. Refer further to the table "Effective tax" in Note 13.

Other taxes paid for 2020 comprise withholding tax on dividends in Russia and infrastructure fees in Latvia.

Additional disclosures on tax

Since it is not a requirement that the financial report present the names of all business units included, we do not do so here in the GRI report for ease of reading. The information applies to all the business units in the Bonava Group, and the number of companies is indicated in the table above.

TRANSPARENCY

Why this aspect is important (103-1)

The demand among internal and external stakeholders for relevant indicators to monitor sustainable development is steadily increasing. By developing such indicators and transparently reporting them, Bonava contributes to the following SDG target:

- **17.19** By 2030, build on existing initiatives to develop measurements of progress on sustainable development that complement gross domestic product, and support statistical capacity-building in developing countries.

The management approach (103-2)

In addition to our statutory sustainability reporting, Bonava aims to annually report its progress under the GRI Standards: Core option and the UN Global Compact. Bonava also reports in accordance with the OECD Guidelines for Multinational Enterprises and CDP. Read about Happy Index, Bonava's internal indicator for happy neighbourhoods, on page 20.

Evaluation and results (103-3)

By using the systematic methods described in the principles of the GRI Standards, Bonava works continuously with follow-up and transparency in its reporting. To further ensure quality in its reporting, Bonava revises its Annual Report and Sustainability Report in accordance with the ISAE 3000 and RevR12 standards.

Additional disclosures, Bonava indicator

The indicator is intended to provide an account of Bonava's presentation of its Sustainability Report. The definition for the indicator comprises current legal requirements for sustainability reporting, the GRI Standards for the relevant indicators and reporting requirements for the UN Global Compact.

Bonava indicator: Transparency

	2020	2019	2018
Prepared	x	x	x
Assured by external sustainability auditor	x	x	x

About the Sustainability Report

This is Bonava's fifth annual Sustainability Report. It forms part of Bonava's Annual Report and has been prepared in accordance with the GRI Standards: Core option. The Sustainability Report is issued by the Board of Directors and, in accordance with a decision by the Board, is reviewed and authorised by independent external sustainability auditors; refer to page 47. The following pages present an index showing where the disclosures related to sustainability can be found in the Annual Report.

The report covers 2020 and, unless otherwise indicated, the indicators reported refer to all of Bonava's units and the full year in the same manner as in the financial report. Bonava's latest Sustainability Report was for the 2019 financial year and was published in March 2020.

Changes in reporting

For this year's report, Bonava has chosen to also highlight GRI Standard 207: Tax and indicator 403-10 Work-related ill health, and has removed indicator 302-3 Energy intensity since CRE 1, the sector-specific indicator for the energy intensity of buildings from GRI G4, which is still being applied, is better suited. For G4 CRE 5 Land remediation, completed land remediation is now reported for projects completed during the year instead of – as previously planned – land remediation for projects granted permission to start construction during the year. Also new for this year are references

to the Task Force for Climate-Related Financial Disclosures (TCFD) on page 28, as a supplement to GRI. As in previous years, the report contains a general climate report in Indicator 305:

Emissions. At the time of this Annual Report, parts of the climate report are still based on preliminary disclosures from suppliers. For the past three years, a detailed and final climate report has been released each year through the CDP. In May 2020, the SBTi approved a re-baseline measurement that corrected emissions for 2018 in line with Bonava's science-based targets; updated comparison years are thus reported in this Annual Report.

One changed condition for the report is that during the year, Bonava expanded its operations through takeovers and start-ups of companies for production and installation of prefabricated construction components. These expanded operations are included in the reported indicators for the portion of the year in which they are relevant.

CONTACT

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GRI index

Indicator	General standard disclosures	Page/Info	Sustainable Development Goals, target level
<i>GRI 102: General Disclosures</i>			
102-1	Name of the organisation	Bonava AB	
102-2	Activities, brands, products, and services	2–3, 50	
102-3	Location of headquarters	96	
102-4	Location of operations	2	
102-5	Ownership and legal form	115–116	
102-6	Markets served	53–54	
102-7	Scale of the organisation	4	
102-8	Information on employees and other workers	30–31	
102-9	Supply chain	38–39	
102-10	Significant changes to the organisation and its supply chain	39, 42	
102-11	Precautionary Principle or approach	24, 36	
102-12	External initiatives	15–16	13.2 Integrate climate change measures into national policies, strategies and planning 17.14 Enhance policy coherence for sustainable development 17.17 Encourage effective partnerships
102-13	Membership of associations	15–16	
102-14	Statement from senior decision-maker	6–7	
102-15	Key impacts, risks, and opportunities	55–58, 13–16	
102-16	Values, principles, standards, and norms of behaviour	15, 31, 38	
102-18	Governance structure	104–111	
102-40	List of stakeholder groups	14–15	
102-41	Collective bargaining agreements	31	
102-42	Identifying and selecting stakeholders	14–15	
102-43	Approach to stakeholder engagement	14	
102-44	Key topics and concerns raised	14–15	
102-45	Entities included in the consolidated financial statements	42	
102-46	Defining report content and topic Boundaries	13–14	12.6 Encourage companies to adopt sustainable practices into their reporting cycle
102-47	List of material topics	13–14, 20, 22, 30, 36	
102-48	Restatements of information	42	
102-49	Changes in reporting	42	
102-50	Reporting period	42	
102-51	Date of most recent report	42	
102-52	Reporting cycle	42	
102-53	Contact point for questions regarding the report	42	
102-54	Claims of reporting in accordance with the GRI Standards	42	
102-55	GRI content index	43–46	
102-56	External assurance	47	

UN GLOBAL COMPACT

Human Rights

- Principle 1* (p. 94–95, 97) Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2* (p. 94–95, 97) make sure they are not complicit in human rights abuses.

Labour

- Principle 3* (p. 89) Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4* (p. 95–96) the elimination of all forms of forced and compulsory labour;
- Principle 5* (p. 95–96) the effective abolition of child labour; and
- Principle 6* (p. 89, 93) the elimination of discrimination in respect of employment and occupation.

Environment

- Principle 7* (p. 86, 94) Businesses should support a precautionary approach to environmental challenges;
- Principle 8* (p. 84–86) undertake initiatives to promote greater environmental responsibility; and
- Principle 9* (p. 78, 84, 87) encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

- Principle 10* (p. 19, 94–95) Businesses should work against corruption in all its forms, including extortion and bribery.

Indicator	Specific standard disclosures	Page/Info	Sustainable Development Goals, target level
HAPPY NEIGHBOURHOODS FOR THE MANY			
Affordable housing			
<i>GRI 103: Management Approach</i>			
103-1	Explanation of the material topic and its Boundary	18	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
103-2	The management approach and its components	18	
103-3	Evaluation of the management approach	18	
<i>GRI 203: Indirect economic impacts</i>			
203-2	Significant indirect economic impacts	18	
Happy neighbourhoods			
<i>GRI 103: Management Approach</i>			
103-1	Explanation of the material topic and its Boundary	20	11.3 By 2030, enhance inclusive and sustainable urbanisation and capacity for participatory, integrated and sustainable human settlement planning and management in all countries 11.7 By 2030, provide universal access to safe, inclusive and accessible, green and public spaces, in particular for women and children, older persons and persons with disabilities
103-2	The management approach and its components	20	
103-3	Evaluation of the management approach	20	
<i>GRI 413: Local communities</i>			
413-1	Operations with local community engagement, impact assessments, and development programmes	20	
<i>Happy neighbourhoods</i>			
Part of 102-44/43	Routines for customer satisfaction, including results of customer satisfaction surveys	20	
PROTECTING OUR PLANET			
Circular production model			
<i>GRI 103: Management Approach</i>			
103-1	Explanation of the material topic and its Boundary	22	12.2 By 2030, achieve the sustainable management and efficient use of natural resources
103-2	The management approach and its components	22	
103-3	Evaluation of the management approach	22	
<i>GRI 301: Materials</i>			
301-1	Materials used by weight or volume	22	
Sustainable use of land			
<i>GRI 103: Management Approach</i>			
103-1	Explanation of the material topic and its Boundary	22	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
103-2	The management approach and its components	22-23	
103-3	Evaluation of the management approach	23	
<i>GRI 304: Biodiversity</i>			
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	23	
<i>G4-CRE5: Land degradation, contamination and remediation</i>			
G4-CRE5	Land remediation	23	
Efficient buildings			
<i>GRI 103: Management Approach</i>			
103-1	Explanation of the material topic and its Boundary	23-24	13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning
103-2	The management approach and its components	24	
103-3	Evaluation of the management approach	24	
<i>GRI 302: Energy</i>			
G4-CRE1	Building energy intensity	24	

Indicator	Specific standard disclosures	Page/Info	Sustainable Development Goals, target level
Sustainable and non-hazardous materials			
	<i>GRI 103: Management Approach</i>		
103-1	Explanation of the material topic and its Boundary	24	12.8 By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature
103-2	The management approach and its components	24-25	
103-3	Evaluation of the management approach	25	
	<i>GRI 417: Marketing and Labelling</i>		
417-1	Requirements for product and service information and labelling	25	
Greenhouse gases			
	<i>GRI 103: Management Approach</i>		
103-1	Explanation of the material topic and its Boundary	25	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries 13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning
103-2	The management approach and its components	26	
103-3	Evaluation of the management approach	26	
	<i>GRI 305: Emissions</i>		
305-1	Direct (Scope 1) GHG emissions	27	
305-2	Energy indirect (Scope 2) GHG emissions	27	
305-3	Other indirect (Scope 3) GHG emissions	27	
305-4	GHG emissions intensity	27	
PASSIONATE WORKPLACE			
Labour conditions supporting our values			
	<i>GRI 103: Management Approach</i>		
103-1	Explanation of the material topic and its Boundary	31	8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value
103-2	The management approach and its components	31	
103-3	Evaluation of the management approach	31	
	<i>GRI 401: Employment</i>		
401-1	New employee hires and employee turnover	32	
	<i>GRI 404: Training and education</i>		
404-3	Percentage of employees receiving regular performance and career development reviews	32	
	<i>Passionate workplace</i>		
Own	Commitment and loyalty	31	
Health and safety			
	<i>GRI 103: Management Approach</i>		
103-1	Explanation of the material topic and its Boundary	32	8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment
103-2	The management approach and its components	32-33	
103-3	Evaluation of the management approach	33	
	<i>GRI 403: Occupational Health and Safety 2018</i>		
403-1-7	All mandatory disclosures	33-34	
403-8	Workers covered by an occupational health and safety management system	33	
403-9, 10	Work-related injuries	34	
Diversity			
	<i>GRI 103: Management Approach</i>		
103-1	Explanation of the material topic and its Boundary	35	8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value
103-2	The management approach and its components	35	
103-3	Evaluation of the management approach	35	
	<i>GRI 405: Diversity and Equal Opportunity</i>		
405-1	Diversity of governance bodies and employees	35	

Indicator	Specific standard disclosures	Page/Info	Sustainable Development Goals, target level
RELIABLE BUSINESS			
Compliance			
	<i>GRI 103: Management Approach</i>		
103-1	Explanation of the material topic and its Boundary	36	
103-2	The management approach and its components	36	
103-3	Evaluation of the management approach	36	
	<i>GRI 205: Anti-corruption</i>		
205-2	Communication and training about anti-corruption policies and procedures	36	
205-3	Confirmed incidents of corruption and actions taken	37	
	<i>GRI 206: Anti-competitive Behaviour</i>		
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	37	
	<i>GRI 307: Environmental compliance</i>		
307-1	Non-compliance with environmental laws and regulations	37	
	<i>GRI 419: Socioeconomic Compliance</i>		
419-1	Non-compliance with laws and regulations in the social and economic area	37	
Responsible supply chain management			
	<i>GRI 103: Management Approach</i>		
103-1	Explanation of the material topic and its Boundary	38	8.7 Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms 17.11 Significantly increase the exports of developing countries, in particular with a view to doubling the least developed countries' share of global exports by 2020
103-2	The management approach and its components	38	
103-3	Evaluation of the management approach	39	
	<i>GRI 409: Forced or Compulsory Labour</i>		
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	39	
	<i>GRI 308: Supplier Environmental Assessment</i>		
308-1	New suppliers that were screened using environmental criteria	39	
	<i>GRI 414: Supplier Social Assessment</i>		
414-1	New suppliers that were screened using social criteria	39	
Tax			
	<i>GRI 103: Management Approach</i>		
103-1	Explanation of the material topic and its Boundary	39	17.1 Strengthen domestic resource mobilisation, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection
103-2	The management approach and its components	39	
103-3	Evaluation of the management approach	39	
	<i>GRI 207: Tax</i>		
207-1-3	Approach to, governance and organisation tax	39	
207-4	Country-by-country reporting, and total tax contribution	40-41	
Transparency			
	<i>GRI 103: Management Approach</i>		
103-1	Explanation of the material topic and its Boundary	41	17.19 By 2030, build on existing initiatives to develop measurements of progress on sustainable development that complement gross domestic product, and support statistical capacity-building in developing countries
103-2	The management approach and its components	41	
103-3	Evaluation of the management approach	41	
	<i>Transparency</i>		
Own	Transparent sustainability reporting	41	

Auditor's Limited Assurance Report on the Sustainability Report and Statement on the Statutory Sustainability Report

To the annual meeting of the shareholders of Bonava AB (publ), Corp. Id 556928-0380

Introduction

We have been engaged by the Board of Directors of Bonava AB (publ) to undertake a limited assurance engagement of Bonava's Sustainability Report for the year 2020 on pages 13–46 of this document, which also constitutes the company's Statutory Sustainability Report.

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 Sustainability Report, including the Statutory Sustainability Report, in accordance with the applicable criteria and the Annual Accounts Act. The criteria are defined on page 42, and consist of relevant parts of the GRI Standards, as well as the accounting and calculation principles that the company has developed. This responsibility also includes the internal control relevant to the preparation of a sustainability report that does not contain material misstatement, whether due to fraud or error.

Responsibilities of the auditor

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed, and to provide a statement on the Statutory Sustainability Report.

We conducted our limited assurance engagement in accordance with ISAE3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, applying analytical and other limited assurance procedures. We have conducted our examination regarding the Statutory Sustainability Report in accordance with RevR 12, Auditor's Opinion on the Statutory Sustainability Report, issued by FAR. A limited assurance engagement and a review according to RevR 12 have a different focus and a considerably smaller scope compared to the focus and scope of an audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The audit firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures

regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent in relation to Bonava according to generally accepted auditing standards in Sweden, and have fulfilled our professional ethics responsibility according to these requirements.

The procedures performed in a limited assurance engagement and review according to RevR 12 do not allow us to obtain such assurance that we become aware of all significant matters that could have been identified if an audit was performed. The stated conclusion based on a limited assurance and review in accordance with RevR 12, therefore, does not have the level of assurance that a stated conclusion based on an audit has.

Our procedures are based on the criteria defined by the Board of Directors and the Managing Director as described above. We consider these criteria as suitable for the preparation of the Sustainability Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

Conclusion

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

A Statutory Sustainability Report has been prepared.

Stockholm, March 10, 2021
Öhrlings PricewaterhouseCoopers AB

Patrik Adolfson
Authorised Public
Accountant

Åsa Ekberg
Sustainability Expert,
Member of FAR

Financial reporting



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Report of the Board of Directors

The Board of Directors and Chief Executive Officer of Bonava AB (publ.), corporate identity number 556928-0380, with its registered office in Stockholm, Sweden, hereby present the Annual Report and consolidated financial statements for the 2020 financial year.

OPERATIONS

Bonava develops and sells homes across 23 regions in nine countries. The selected geographical markets are Germany, Sweden, Finland, Denmark, Norway, St. Petersburg, Estonia, Latvia and Lithuania. The common denominator in our establishments is our focus on major city regions with pronounced growth and with stable local labour markets, which generates demand for new housing over time. Bonava develops land into affordable and sustainable neighbourhoods, where the housing units are adapted to customers' wants and needs as well as the unique circumstances of each location.

Bonava provides multi-family and single-family housing units, and develops homes for consumers and investors, such as pension funds, alongside municipalities and other stakeholders. This is how Bonava creates new and vibrant neighbourhoods.

GROUP PERFORMANCE

Net sales

Net sales amounted to SEK 16,997 M (15,474). During the period, 4,295 (4,170) housing units for consumers were recognised in profit, with net sales of SEK 13,484 M (12,088). The average price per housing unit recognised in profit increased compared with the year-earlier period, totalling SEK 3.1 M (2.9). The increase was attributable to higher average prices in all segments. In Germany, average prices rose 14 per cent in local currency.

During the period, 1,519 (1,341) housing units for investors were recognised in profit and net sales totalled SEK 3,085 M (2,650), with the increase largely attributable to Germany.

Exchange rate fluctuations had a negative effect of SEK 293 M on consolidated net sales compared with the year-earlier period.

Operating profit

Operating profit before items affecting comparability amounted to SEK 1,121 M (1,202) and the operating margin before item affecting comparability was 6.6 per cent (7.8).

The operating margin before item affecting comparability was lower due to lower gross margins in Germany and Nordic in the first half of the year. The provision for the legal dispute from 2010 in Germany had a negative impact on operating profit for the period of SEK 67 M and on the operating margin of 0.4 of a percentage point.

Selling and administrative expenses decreased by SEK 47 M compared with the year-earlier period due to the measures taken to reduce the cost base and temporary cost savings deriving from COVID-19 restrictions.

Exchange rate fluctuations had a negative impact of SEK 35 M on operating profit compared with the year-earlier period.

In 2019, items affecting comparability comprised a cost of SEK 159 M related to restructuring measures in Finland and a cost of SEK 100 M for the settlement of an old legal dispute in Germany.

Net financial items, tax and profit for the year

Net financial items were SEK -122 M (-110). The higher costs during the period were attributable to the raising of new financing with a longer tenor in the form of a green bond issued in September. Profit after financial items totalled SEK 999 M (834) for the period.

Tax on profit for the period was SEK -267 M (-219), corresponding to a tax rate of 27 per cent (26). Profit for the period after tax amounted to SEK 733 M (615).

FINANCIAL POSITION

Total assets

Total assets were SEK 22,874 M (23,487). The decrease was primarily driven by the lower value of ongoing housing projects and completed housing units, which was partially offset by an increase in cash and cash equivalents.

Net debt

Net debt amounted to SEK 3,311 M (6,873) at the end of the year. Seasonal variations usually result in net debt declining in the fourth quarter, and this trend was further strengthened in the fourth quarter of this year. Cash and cash equivalents at 31 December amounted to SEK 1,387 M (499).

The lower overall level of net debt is attributable to a number of factors in the various segments. In Germany, customer advances have financed operations to a greater extent. In Sweden, the worked-up value in ongoing production declined as a result of a lower price per unit at the same time as the number of units was in line with the preceding year. The planned actions yielded an effect in Nordic, which was also reflected in lower net debt, while in St. Petersburg-Baltics net debt was more in line with the preceding year.

Capital employed and return on capital employed

Capital employed amounted to SEK 12,641 M (14,933) at the end of the period. The change was attributable to lower capital employed in all segments: higher customer advances in Germany, lower worked-up value in housing units in ongoing production in Sweden and St. Petersburg-Baltics, and a lower value for properties held for future development in Nordic.

Return on capital employed before items affecting comparability was 7.9 per cent (8.1). The effect of lower capital employed was offset by lower average operating profit.

Equity/assets and debt/equity ratios

As of 31 December 2020, the equity/assets ratio was 34.6 per cent (32.1). The debt/equity ratio was 0.4 (0.9).

CASH FLOW

Cash flow before financing was SEK 3,662 M (-138).

Taxes paid, SEK -184 M (-337), were lower, mainly in Germany and Sweden. Adjustments for non-cash items were higher, the largest component of which comprised currency effects. This, combined with higher earnings, led to higher cash flow from operating activities before changes in working capital.

Cash flow from changes in working capital amounted to SEK 2,396 M (-393). Sales of housing projects totalled SEK 14,521 M (12,902) and increased as a result of more housing units recognised in profit in all business areas except Nordic. Investments in housing projects, SEK -14,179 M (-13,919), were higher in all business areas except Germany. The increase in other changes in working capital of SEK 2,054 M (624) was attributable to higher cash flow from customer advances in Germany and Sweden.

HOUSING SALES, HOUSING STARTS AND BUILDING RIGHTS

Housing units in production

At the end of the period, there were 6,218 housing units (6,179) for consumers and 3,551 housing units (3,553) for investors in production. As of 31 December, the sales rate was 53 per cent (59) for housing units for consumers and 100 per cent (94) for housing units for investors. At the end of the period, the completion rate was 49 per cent (48) for consumers and 38 per cent (33) for investors.

Building rights

There were 31,800 (33,300) building rights, of which 19,500 (19,300) were recognised in the balance sheet.

Sold completed housing units not recognised in profit at end of period

The number of sold completed housing units not recognised in profit at the end of the period was 132 (237), of which 68 (142) were attributable to St. Petersburg-Baltics. All of these housing units were for consumers.

Unsold completed housing units at end of year

The number of unsold completed housing units at the end of the year was 441 (477). All of these housing units were for consumers, with Nordic accounting for the decrease compared with the year-earlier period, offset to a degree by the other business areas.

SHARES AND SHAREHOLDERS

Bonava has two share classes, Class A and Class B. The closing price on 30 December 2020 was SEK 79.00 per Class A share and SEK 78.70 per Class B share, corresponding to market capitalisation of SEK 8.4 Bn.

Bonava's share capital was SEK 434 M on the reporting date, divided among 108,435,822 shares and 211,090,686 votes.

At 30 December 2020, Bonava had 11,406,096 Class A shares and 97,029,726 Class B shares. Each Class A share carries ten votes and each Class B share one vote.

Bonava had 31,089 (30,158) shareholders at the end of the year. Bonava's largest shareholder was Nordstjernan AB. At 30 December 2020, the ten largest shareholders controlled 54.4 per cent of the capital and 65.1 per cent of the votes. For more information, see page 113.

ORGANISATION AND EMPLOYEES

The average number of employees in the Group for the year was 2,082 (2,033).

PROPOSED CHANGES TO THE BOARD OF DIRECTORS AHEAD OF THE ANNUAL GENERAL MEETING

On 2 December 2020, Bonava's Nomination Committee proposed the election of Mats Jönsson as the new Chairman of the Board at the Annual General Meeting on 31 March 2021, since the current Chairman Mikael Norman has declined re-election. Board member Samir Kamal has declined re-election and will step down from the Board in conjunction with the Annual General Meeting. The Nomination Committee proposes the re-election of Board members Viveca Ax:son Johnson, Åsa Hedenberg, Mats Jönsson, Angela Langemar Olsson and Frank Roseen, and the election of new Board member Per-Ingemar Persson. The Nomination Committee's complete proposals are presented in the notice convening the Annual General Meeting.

NOMINATION COMMITTEE

Bonava's 2020 Annual General Meeting appointed the following Nomination Committee ahead of the 2021 Annual General Meeting: Peter Hofvenstam, Nordstjernan AB; Tomas Risbecker, AMF Försäkring och Fonder; Lennart Francke, Swedbank Robur Fonder; and the Chairman of the Board as a co-opted member. Peter Hofvenstam was elected Chairman of the Nomination Committee. Following AMF's divestment of its holding in Bonava, Tomas Risbecker stepped down from the Nomination Committee, which appointed Mats Gustafsson from Lannebo Fonder as a new member of the Nomination Committee in July 2020. For more information about the composition of the Board, refer to the Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

The Corporate Governance Report is included as a separate section of Bonava's Annual Report and does not constitute a part of the formal Annual Report documents; refer to the Corporate Governance section on pages 101–112.

SIGNIFICANT EVENTS DURING THE YEAR

During the first quarter, Bonava activated a contingency group which, together with Bonava's Board of Directors and management, closely monitored the progress of the pandemic, planned for various scenarios and responded to recommendations from government authorities. Plans were decided and implemented gradually during the year, depending on developments, with a long-term focus in mind. The impact on Bonava's financial position and payment capacity were routinely monitored and assessed.

During the first quarter, Bonava launched a green financing framework, enabling investors to make green investments in resource-efficient and vibrant neighbourhoods. The green financing framework was validated through a second opinion from Sustainalytics.

Bonava became the first residential developer in Europe to receive formal approval from the Science Based Targets Initiative.

The Annual General Meeting of Bonava AB was held on 31 March. The Annual General Meeting resolved that no dividend would be paid to its shareholders in accordance with the updated proposal from the Board owing to the great degree of uncertainty prevailing as a result of the effects of COVID-19. Initially, the Board of Directors proposed a dividend for 2019 of SEK 3.00 per share.

Due to the pandemic, Bonava introduced short-time working in certain markets during the second quarter.

During the second quarter, Bonava repurchased 430,294 Class B shares for a total of SEK 19 M. The purpose was to facilitate the hedging of costs (including costs for social security contributions) and the delivery of shares connected with the implementation of Bonava's incentive programmes in effect at any given time.

On 4 September, Bonava issued a green senior unsecured corporate bond of SEK 1 Bn. The proceeds were used to refinance outstanding loans and were allocated in accordance with the green financing framework.

On 29 September, the company announced that President and CEO Joachim Hallengren would be resigning as CEO of Bonava, and on 25 November, the Board of Directors appointed Peter Wallin as the company's new President and CEO effective 1 February 2021. For more information about changes to the management team, refer to the Corporate Governance Report.

SIGNIFICANT EVENTS AFTER THE YEAR

No significant events have occurred after the end of the year.

REMUNERATION

The Board has evaluated the application of its guidelines for determining basic and variable remuneration to the CEO and other members of management (Executive Management Group) approved by the 2020 Annual General Meeting, and the applicable remuneration structures and remuneration levels of the company. As a result of this evaluation of the overall remuneration package for the company's Executive Management Group, the Board of Directors proposes to the 2021 Annual General Meeting that the applicable guidelines be retained for 2021. These guidelines cover the Executive Management Group including the CEO, totalling ten (ten) senior executives.

Bonava applies remuneration levels and employment terms that are necessary to enable the recruitment and retention of a management possessing high competence and the ability to achieve the targets set. The remuneration principles and structures should motivate senior executives to do their utmost to safeguard the shareholders' interests. Accordingly, remuneration should be on market terms and competitive. It should be straightforward, long-term and measurable. The total remuneration package should support the company's long-term strategy. Remuneration to management comprises fixed cash-based salary, variable cash-based remuneration, variable share-based remuneration, pensions and other benefits.

Fixed cash-based salary

Fixed salary to senior executives should be on market terms and based on areas of responsibility, experience and results achieved. Fixed remuneration is reviewed either annually or biannually.

Variable cash-based remuneration

Variable cash-based remuneration is to be maximised and related to fixed salary, and based on the outcome in relation to the targets set, of which the absolute majority correspond to financial targets. In 2020, short-term variable remuneration to the CEO was capped at 50 per cent of fixed salary, and for other members of the Executive Management Group maximised at 30 or 40 per cent of fixed salary. At maximum levels, the company's obligations to the individuals concerned would cost the company an estimated maximum of SEK 11.7 M excluding social security contributions.

Pensions and other benefits

With regards to pensions, Bonava offers defined contribution solutions, which means that Bonava pays premiums that comprise a specific proportion of the employee's salary. The members of Bonava's management that serve in Sweden and are not covered by pension benefits pursuant to the ITP plan (supplementary pensions for salaried employees) should receive a maximum of 30 per cent of annual basic salary in a yearly defined contribution pension provision. The members of Bonava's management that serve in other countries have pension solutions that are consistent with local practice.

Bonava provides other benefits to members of the Executive Management Group pursuant to local practice. The aggregate value of these benefits should equate to a limited value in relation to total remuneration, and correspond to what, in principle, is customary in the market.

Termination of employment

Dismissal pay and severance pay for senior executives should not exceed nine months' salary, or 12 months for the CEO, on termination by the company, and six months on termination by the senior executive. In this context, senior executives are defined as the CEO and other members of the Executive Management Group.

Derogation from the guidelines

The Board of Directors may decide to temporarily derogate from the guidelines, in part or in full, if there are special reasons to do so in an individual case and such a derogation is necessary to safeguard the company's long-term interests, including its sustainability, or to safeguard the company's financial strength.

Variable share-based remuneration

Bonava's long-term incentive (LTI) programs are normally share-based and are decided on by the Annual General Meeting, meaning they are not covered by the company's remuneration guidelines.

The Annual General Meeting on 31 March 2020 approved the Board of Directors' proposal to introduce a share-based incentive programme for the Executive Management Group and certain key executives, totalling some 50 individuals. Participation in the programme requires an independent shareholding in Bonava. The purpose of the programme is to align the interests of the shareholders and those of the Executive Management Group and specified key executives in order to ensure maximum long-term value creation.

The Annual General Meeting also authorised the Board of Directors to repurchase Class B shares to ensure future commitments under the incentive programme. On 22 April 2020, the Board decided to exercise this mandate, following which the company repurchased B shares at a total cost of SEK 19 M.

The Board of Directors proposes that the Annual General Meeting authorise a long-term performance-based share programme (LTIP 2021) for senior executives and key individuals

within the Bonava Group. This proposal is consistent with the long-term performance-based share programme previously adopted for 2020.

It is the view of the Board of Directors that this type of incentive programme benefits the company's long-term progress. LTIP 2021 is proposed to cover a total of some 50 participants within the Bonava Group. More details on the proposal and previous long-term incentive programmes are available at bonava.com. See also Note 4, Number of employees, personnel costs and remuneration of senior executives.

PARENT COMPANY**Net sales and profit**

The Parent Company comprises the operations of Bonava AB (publ). Net sales for the period totalled SEK 281 M (266). Profit after financial items was SEK 431 M (679). The average number of employees for the year was 92 (80).

ENVIRONMENTAL IMPACT

Bonava does not conduct any operations subject to permits under the Swedish Environmental Code within the parent company or subsidiaries.

STATUTORY SUSTAINABILITY REPORT

The Sustainability Report forms part of Bonava's Annual Report and has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option. The reported indicators refer to all of Bonava's units and the full year 2020, unless otherwise indicated. During the year, Bonava expanded its operations through takeovers and start-ups of companies for production and installation of prefabricated construction components. These expanded operations are included in the reported indicators for the portion of the year in which they are relevant. Changes implemented in this report include the application of GRI Standard 207: Tax and GRI indicator 403:10 for occupational health and safety, and the removal of GRI indicator 302:3 for energy intensity, the aim of which is covered by CRE 1, the sector-specific indicator for building energy intensity from GRI G4, which is still being applied. Also new for this year are references to the Task Force for Climate-Related Financial Disclosures (TCFD) on page 28, as a supplement to GRI. The Sustainability Report is issued by the Board of Directors and is externally reviewed and authorised. Refer further to page 47.

PROPOSED DIVIDEND

The Board of Directors proposes an ordinary dividend of SEK 3.25 per share (0.00), and an extraordinary dividend of SEK 2.00 per share paid in two disbursements. The record date for the right to receive the first dividend of SEK 3.65 per share is proposed to be 6 April 2021. The record date for the right to receive the second dividend of SEK 1.60 per share is proposed to be 4 October 2021. On condition that the Annual General Meeting approves the dividend proposal, payment will be made on 9 April 2021 and 7 October 2021, respectively.

SEASONAL EFFECTS

Bonava recognises revenue and earnings from housing sales when sold and completed housing units are delivered to customers. Bonava's operations are affected by seasonal variations, which means that a majority of housing units are delivered to customers in the fourth quarter. Accordingly, earnings and cash flow before financing are usually stronger in the fourth quarter than in other quarters.

AMOUNTS AND DATES

Unless otherwise stated, amounts are indicated in millions of Swedish kronor (SEK M). The relevant period is 1 January–31 December for income statement-related items, and 31 December for balance sheet-related items. Rounding differences may occur.

Segments

GERMANY

Despite the pandemic, the German housing market demonstrated a positive performance in 2020. Demand was high from both consumers and investors, and sales prices and rental levels were higher than in the preceding year. Restrictions as a result of the pandemic had a slight impact, mainly resulting from longer processing times, for example, for building permits, which in Bonava's case resulted in delays to project starts.

Net sales amounted to SEK 7,466 M (6,361). The increase is attributable to a combination of higher average prices for both consumers and investors and more housing units recognised in profit. During the year, 1,350 (1,325) housing units for consumers and 680 (518) housing units for investors were recognised in profit.

Operating profit for the year was SEK 752 M (829). This decline in profit was attributable to lower project margins in the first half of the year and a provision of SEK 67 M for a legal dispute concerning housing units delivered in 2000.

Capital employed amounted to SEK 4,128 M (4,814). The decrease was mainly attributable to a higher share of interest-free financing, which was partly offset by a higher value for properties held for future development and ongoing housing projects. The return on capital employed decreased year-on-year as a result of lower average operating profit.

	2020	2019
Net sales	7,466	6,361
Operating profit before items affecting comparability	752	829
Operating margin before items affecting comparability, %	10.1	13.0
Capital employed	4,128	4,814
Return on capital employed, %	16.7	17.6
Average no. of employees	905	877
Building rights		
Number of building rights	8,400	8,900
of which, off-balance sheet building rights	2,600	3,400
Housing development for consumers		
Number of housing units sold	1,273	1,275
Sales value of housing units sold	5,699	5,363
Number of housing units started	1,501	858
Number of housing units in ongoing production	2,595	2,456
Sales rate for ongoing production, %	62	69
Number of housing units recognised in profit	1,350	1,325
Housing development for investors		
Number of housing units sold	332	608
Sales value of housing units sold	1,066	1,410
Number of housing units started	304	636
Number of housing units in ongoing production	1,446	1,822
Sales rate for ongoing production, %	100	98
Number of housing units recognised in profit	680	518

SWEDEN

Demand for housing units was favourable, and prices in the Swedish housing market rose during the year despite a temporary slowdown due to the pandemic, primarily in the second quarter.

Net sales amounted to SEK 3,528 M (3,861). During the period, 659 (653) housing units for consumers and 238 (192) housing units for investors were recognised in profit. The decline in net sales was attributable to lower land sales, which were nonetheless offset somewhat by a slight increase in the number of housing units delivered compared with the year-earlier period.

Operating profit for the period was SEK 283 M (450). Excluding land sales, operating profit was SEK 264 M (211). The higher operating profit was primarily due to the delivery of more housing units to investors at a higher margin and lower selling and administrative expenses.

Capital employed amounted to SEK 3,020 M (4,200). The worked-up value in ongoing production declined as a result of a lower price per unit at the same time as the number of units was in line with the preceding year. The return on capital employed decreased year-on-year owing to lower operating profit.

	2020	2019
Net sales	3,528	3,861
Operating profit before items affecting comparability	283	450
Operating margin before items affecting comparability, %	8.0	11.7
Capital employed	3,020	4,200
Return on capital employed, %	7.7	9.3
Average no. of employees	188	206
Building rights		
Number of building rights	7,600	7,300
of which, off-balance sheet building rights	2,700	2,900
Housing development for consumers		
Number of housing units sold	625	629
Sales value of housing units sold	2,565	2,886
Number of housing units started	504	164
Number of housing units in ongoing production	724	890
Sales rate for ongoing production, %	65	54
Number of housing units recognised in profit	659	653
Housing development for investors		
Number of housing units sold	543	162
Sales value of housing units sold	948	300
Number of housing units started	374	331
Number of housing units in ongoing production	914	778
Sales rate for ongoing production, %	100	78
Number of housing units recognised in profit	238	192

NORDIC

All of Bonava's Nordic markets were characterised by favourable demand during the year.

The supply of housing in Finland was initially high, but decreased during the year due to lower construction activity. Prices were stable.

In Copenhagen, supply and prices were stable during the first half of the year, subsequently followed by strong growth.

Oslo and Bergen noted a positive price trend and high transaction volumes in the first half of the year. In the second half of the year, the price trend in Oslo remained positive, but declined slightly in Bergen.

Net sales amounted to SEK 4,563 M (4,000). The higher net sales is the result of land sales. The number of housing units delivered to consumers amounted to 1,019 (1,015) and to investors to 601 (631).

Operating profit before items affecting comparability for the period totalled SEK 97 M (-23). Excluding land sales, operating profit before items affecting comparability amounted to SEK 87 M (-22). The higher operating profit was mainly the result of the completed restructuring in Finland, which positively impacted project margins.

Items affecting comparability in 2019 consisted of SEK 159 M in costs related to restructuring measures in Finland.

Capital employed amounted to SEK 3,427 M (4,152). The planned measures had an effect in the Nordic market, and the decline in capital employed was attributable to a lower value for properties held for future development and unsold completed housing units.

The return on capital employed increased year-on-year owing to higher operating profit.

	2020	2019
Net sales	4,563	4,000
Operating profit before items affecting comparability	97	-23
Operating margin before items affecting comparability, %	2.1	-0.6
Capital employed	3,427	4,152
Return on capital employed, %	2.2	-0.7
Average no. of employees	374	409
Building rights		
Number of building rights	9,100	10,600
of which, off-balance sheet building rights	4,900	6,300
Housing development for consumers		
Number of housing units sold	927	906
Sales value of housing units sold	3,092	2,508
Number of housing units started	653	687
Number of housing units in ongoing production	828	1,080
Sales rate for ongoing production, %	58	52
Number of housing units recognised in profit	1,019	1,015
Housing development for investors		
Number of housing units sold	839	394
Sales value of housing units sold	2,355	613
Number of housing units started	839	394
Number of housing units in ongoing production	1,027	789
Sales rate for ongoing production, %	100	100
Number of housing units recognised in profit	601	631

ST. PETERSBURG-BALTICS

Despite the pandemic and severe restrictions, the housing market in St. Petersburg remained stable during the year in terms of supply, demand and prices. In the Baltics, the pandemic resulted in uncertainty in the first quarter, but the markets and consumer confidence improved as restrictions were eased in the second half of the year.

Net sales amounted to SEK 1,439 M (1,252). The increase is due to a greater number of housing units delivered in the Baltics and to a higher average price per housing unit delivered in St. Petersburg. In total, 1,267 housing units were delivered to consumers compared with 1,177 in the year-earlier period.

Operating profit amounted to SEK 236 M (194). The year-on-year increase is attributable to the delivery of more housing units at higher project margins.

Capital employed was in line with the preceding year and amounted to SEK 1,126 M (1,367). The return on capital employed increased due to the improved earnings.

	2020	2019
Net sales	1,439	1,252
Operating profit before items affecting comparability	236	194
Operating margin before items affecting comparability, %	16.4	15.5
Capital employed	1,126	1,367
Return on capital employed, %	19.1	15.8
Average no. of employees	524	473
Building rights		
Number of building rights	6,700	6,500
of which, off-balance sheet building rights	2,100	1,400
Housing development for consumers		
Number of housing units sold	1,029	1,108
Sales value of housing units sold	1,123	1,324
Number of housing units started	1,535	1,301
Number of housing units in ongoing production	2,071	1,753
Sales rate for ongoing production, %	37	53
Number of housing units recognised in profit	1,267	1,177
Housing development for investors		
Number of housing units sold		80
Sales value of housing units sold	4	73
Number of housing units started		80
Number of housing units in ongoing production	164	164
Sales rate for ongoing production, %	100	100
Number of housing units recognised in profit		

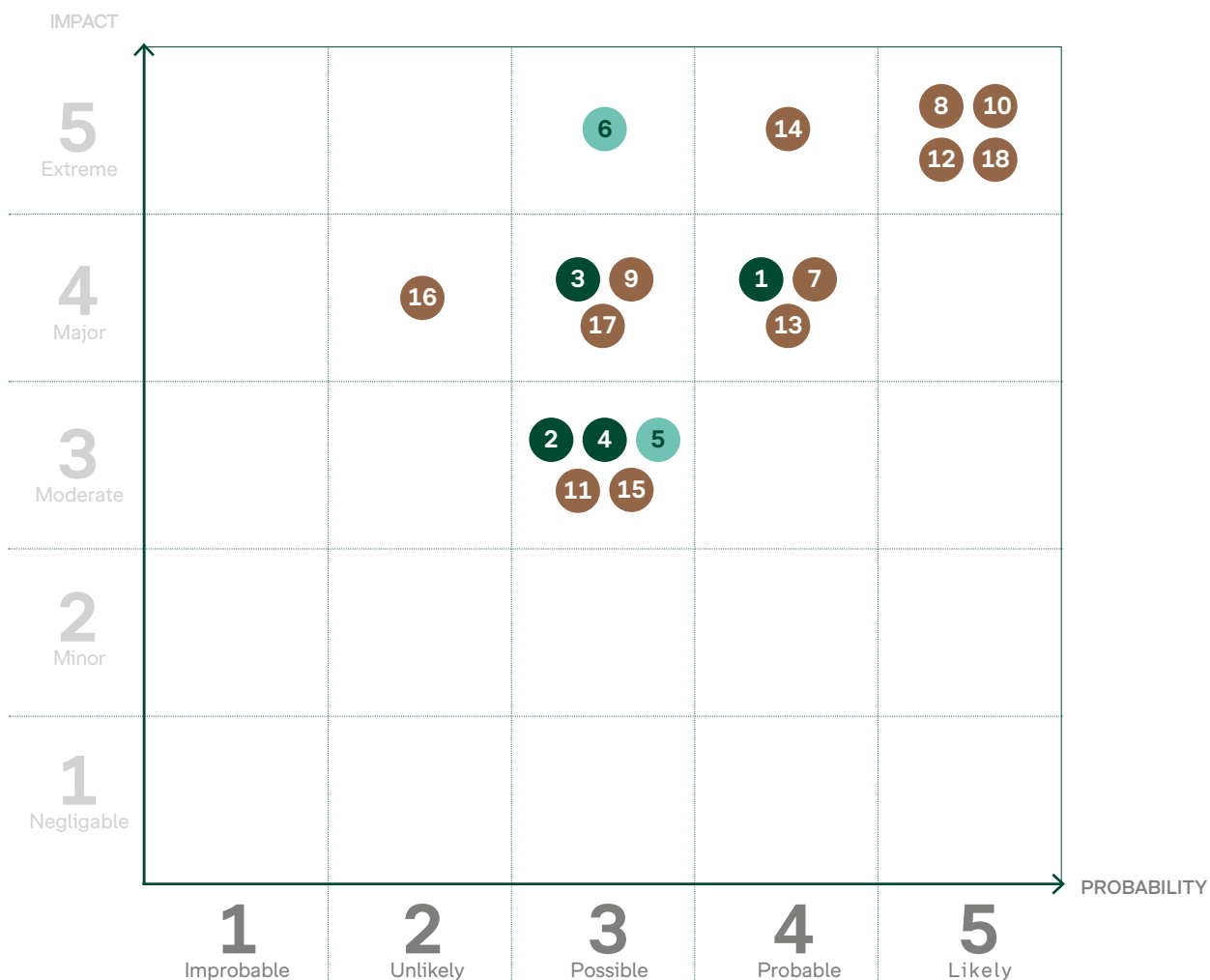
Risks and risk management

Bonava is exposed to risks with varying degrees of impact on the company. These risks may be attributable to events or decisions beyond Bonava's control but may also be the result of decisions by the company. Through structured and proactive risk management, Bonava's ambition is to ensure that the risks are either minimised as much as possible or remain potential risks. The Audit Committee is tasked with monitoring and evaluating Bonava's risk management, including the internal control environment.

In the risk assessment process, a number of risks were identified and assessed based on the probability that they could occur and the impact they would have on the operations. Even though the pandemic has significantly affected Bonava's risk exposure throughout the year, the company has decided not to include a corresponding risk type to the overview of most relevant risks above. Experiences of the previous months show that the pandemic affected and will affect almost all areas of the company's operations and cannot be viewed independent from the already established risk categories. Additional information regarding the measures taken to mitigate increased risks attributable to COVID-19 is included below the table on page 57.

An analysis of the risks is presented in the illustration and table below. An evaluation of probability and impact illustrates the company's assessment of inherent risks without considering mitigating factors. For detailed information about sustainability related risks and opportunities, climate risk scenario analysis, and long-term climate related financial risks, refer to page 13.

Bonava has a Risk Committee consisting of the company's CFO, General Counsel, Group Head of Financial Control, Group Head of Sustainability and Group Head of Risk and Compliance. The Risk Committee is responsible for centrally organising, coordinating, and driving Bonava's risk management work. The Risk Committee regularly reports to the Audit Committee and Executive Management.



PROBABILITY THAT THE RISK WILL BE REALISED
(See illustration on page 55 for summary)

IMPACT IF THE RISK IS REALISED
(See illustration on page 55 for summary)

FINANCIAL RISK

	RISK AREA	DESCRIPTION			MITIGATING FACTORS
1	Liquidity	The company is unable to meet its payment obligations on time without incurring significantly increased funding costs.	4	4	Bonava has stipulated a specific level relating to its payment capacity. The company also has a structured process for continuously monitoring and forecasting Group liquidity in order to ensure optimal financing and liquidity at any given time.
2	Guarantees	The company exceeds its guarantee facilities and guarantors decide to deny additional guarantees.	3	3	Bonava closely monitors its volume of guarantees utilised and obtains sureties from a centrally selected group of guarantors. The company also ensures that guarantees outstanding after the expiration of the guarantee period are reclaimed.
3	Errors in reporting	The company submits inaccurate financial and non-financial (e.g. environmental and social sustainability, HR, and procurement) reports to the market or to authorities.	3	4	For financial reporting, Bonava applies the completed contract method, which implies that revenue and costs are known at the time of profit recognition. The company also has a structured process for budgeting outstanding costs at the time of profit recognition. A structured process is also used for non-financial items.
4	Valuation	The company performs inaccurate valuations of its assets.	3	3	Bonava prepares a thorough forecast in which the future sale value and cost of housing projects are regularly evaluated and assessed. In addition, impairment tests are conducted annually for properties held for future development. All impairment losses are reflected in the income statement.

MACROECONOMIC RISK

	RISK AREA	DESCRIPTION			MITIGATING FACTORS
5	Regulation	The company is faced with regulatory changes that significantly impact its operations. (e.g. building permit regulations, construction guidelines or financing rules)	3	3	Bonava is in continual dialogue with stakeholders who have an influence over the political agenda. This is complemented by an external analysis focused on identifying causes, trends and ongoing changes to laws, ordinances, and other regulations. Bonava continually adjusts its processes, decisions, and its strategy as needed when significant changes occur.
6	Housing market and competition	The company is faced with changes in the housing market that adversely affects the supply of land, services, and goods or demand for its housing units.	3	5	The housing market is continuously monitored by internal and external experts in order to foresee changing market conditions as soon as possible. Bonava carries out structured customer surveys and constantly optimises its production costs in order to always offer customers the products they demand.

OPERATIONAL RISK

	RISK AREA	DESCRIPTION			MITIGATING FACTORS
7	Portfolio management	The company takes multiple inopportune decisions regarding the investment and divestment in land and housing projects.	4	4	Investments in and divestments of land are regulated through a multi-level control environment that includes a properly developed due diligence process and requires Board approval in conjunction with larger contracts.
8	Project development	The company is running housing projects that fall short of initially projected key performance indicators.	5	5	Project development risks are managed through a structured internal corporate governance process. Bonava evaluates and manages risks through operational systems and developed processes and routines concerning, for example, preliminary project and detailed project planning processes as well as centralised procurement.
9	Procurement	The company's procurement operations do not ensure satisfactory supply with services and goods in terms of volume, price, and compliance principles (e.g. human rights, working conditions, product safety, environmental aspects, and anti-corruption)	3	4	Bonava has established a centralised procurement organisation and created a framework for the selection and review of its suppliers to increase control over and improve the coordination of procurement. Bonava has identified the requirements that each supplier must fulfil in order to qualify as a supplier to Bonava, with the principles of the UN Global Compact and Bonava's Code of Conduct as a starting point.
10	Design and production	The company's design and production organisation does not deliver the planned housing units within the time frame, at the quality, and at the costs that have been initially projected	5	5	Bonava seeks to increase the industrialisation of its production. Increased repetition and a greater exchange of know-how within the Group reduces the risk of repeating mistakes.

PROBABILITY THAT THE RISK WILL BE REALISED (See illustration on page 55 for summary)			IMPACT IF THE RISK IS REALISED (See illustration on page 55 for summary)		
11	Environment and climate	The company's activities do not comply with internally decided and externally required environmental standards.	3	3	Bonava's internal corporate governance in each market ensures compliance with national and local directives. Bonava's long term climate risk scenario analysis has informed the decision to set full scope science-based targets for urgent climate action, aligned with the pathway to minimise global warming to 1.5 Degree Celsius. Responsibility to contribute to the targets is distributed according to business plan. Local and group-wide initiatives are initiated to support the targets. Bonava has internal local resources and/or employs external experts to plan and carry out soil remediation or post-treatment as well as planning of nature protection measures in close dialogue with local authorities. Bonava has Group-wide procedures and systems for alerts and communication regarding accidents and serious incidents as well as a professional Group-wide sustainability network.
12	Personnel	The company does not maintain an attractive and motivating work environment that attracts and retains a capable and sufficient workforce.	5	5	Bonava has a structured recruitment process and places considerable emphasis on strengthening its reputation as an employer. The company offers competitive employment terms and has established a feedback culture that is complemented by anonymous employee surveys.
13	Health and safety	The company's workplaces do not meet internal or external health and safety requirements.	4	4	Bonava makes no distinction between its employees and subcontractors' employees at sites managed by Bonava and adheres to a vision of "zero harm" with the ultimate objective of preventing the occurrence of all injuries and occupational illnesses. Bonava has established organisational structures and procedures to utilise synergies, govern operations and monitor occupational health and safety work across the Group. Bonava has implemented crisis management plans as well as Group-wide routines and systems for hazard and incident management that include notifications and alerts for severe accidents or incidents. A Group-wide health and safety network has also been established.
14	IT	The company's IT environment does not meet operational requirements in terms of functionality, reliability, and data security.	4	5	Bonava has implemented a centralised IT organisation that continuously monitors and evaluates the company's business needs.
15	Breach of internal and external regulations	The company violates internal and external rules.	3	3	Bonava pursues a comprehensive compliance programme ("Our Foundation") to manage compliance risks. Key elements of the programme include classroom and online training programmes, extensive advisory services, a whistle-blower function as well as regular internal reporting and communication.
16	Products/offerings	The company's offering does not meet customer demand in terms of design, quality, and price.	2	4	Bonava places significant emphasis on customer insights that enable the identification of the desired plan from potential customers using extensive inquiries and analyses.
17	Sales and marketing	The company's sales and marketing activities are inefficient and do not sufficiently promote sales of housing units.	3	4	The company benefits from centralised expertise that establishes marketing and sales processes supplemented by a well-established network of local experts and empirical analyses.
18	Strategic development	The company's change initiatives do not facilitate Bonava's strategic development in the time and at the costs that they have initially been projected.	5	5	Bonava has established a project and change management function that prepares decisions on new strategic initiatives and supports ongoing initiatives through a PMO-process.

HANDLING OF COVID-19-RELATED RISKS

The emerging COVID-19 pandemic has caused uncertainty regarding the future development of market conditions and the possibility to continue creating homes and neighbourhoods.

Although this significantly affected Bonava's risk exposure throughout the year, the company has decided not to include a corresponding risk category in the overview of the most relevant risks above. Experiences over the previous months have shown that the pandemic affected and will continue to affect the company's operations and cannot be viewed independently from previously established risk categories.

Bonava's active mitigation of risks focused on ensuring business continuity while reducing the health risks for everyone to a minimum.

Ensuring liquidity

Maintaining liquidity has been a major concern when it comes to financial risk mitigation. A number of different scenarios concerning the impact of COVID-19 have been analysed, and frequent meetings and status updates regarding forecasts and liquidity plans were held with the Business Units. Moreover, Bonava maintained a close dialogue with its main banks to secure the financing of the Group.

The company managed to secure long-term financing capabilities and retain a healthy cash flow throughout the year.

Careful selection of investment cases

Bonava increased the frequency and scope of its monitoring of the rapidly changing market conditions to be able to adjust its activities accordingly.

The company has continuously reassessed its current acquisition plans to ensure continued balanced development of volume, profitability, and liquidity. When making decisions regarding the start of new projects and construction, all available information was considered in order to forecast the company's short-term production capabilities.

Bonava's rather cautious approach to the initiation of new investments will enable the company to pursue promising opportunities going forward.

Maintaining productivity on and off Bonava's workplaces

Maintaining productivity while doing everything possible to keep staff, subcontractors, and customers safe has been the guiding principle in the planning and organisation of work.

The company took measures to address the fast-changing and continuously updated rules and regulations in Bonava's market, including limitations on the number of people permitted at workplaces and enabling people to work from home where possible. Bonava's IT environment, which is designed to enable office staff to work remotely, proved to be capable of enabling remote work on a large scale. Between April and July, the company introduced a short-term work reduction programme for its Swedish and Norwegian operations. The programme did not apply to staff who were deemed essential to maintaining the company's financial reporting, sales, ongoing production, customer service, and critical support functions.

Extensive measures were introduced to protect the health and well-being of everyone working at Bonava's construction sites and offices. Hygiene standards and guidance were intensified,

following the instructions from local authorities. Contractor schedules and safe work procedures were adjusted to allow workers to maintain social distance. The company has sharply restricted international and domestic travel since March.

Anticipated disruptions to the supply chains for construction materials and services were addressed at an early stage through the development and activation of contingency plans for individual procurement categories.

Increased restrictions as a result of the pandemic had a certain impact during the year, mainly resulting from longer processing times – for example, for building permits – as well as delays to project starts.

Enabling customer interactions

Mandatory contact restrictions and the care for the health of Bonava's customers and staff required increased efforts when it came to developing alternative ways to present Bonava's homes to prospective buyers and the organisation of handovers. This included increased possibilities for private showings, digital sales starts, and remote inspections where customers entered their future homes by themselves while being digitally connected with a Bonava representative.

These measures have been well received and enabled continued customer interactions. Although sales numbers decreased considerably during the early stages of the pandemic, they recovered during the course of the year.

The company expects that the described measures to mitigate COVID-19-related risks will probably need to be largely upheld and adjusted during 2021.

Consolidated Income Statement

	Note	2020	2019
	1, 11, 20		
Net sales	2, 3	16,997	15,474
Production costs	4, 5, 7, 9, 10, 14, 20	-15,018	-13,368
Gross profit		1,979	2,107
Selling and administrative expenses	4, 5, 6, 7, 9, 10, 20, 27	-857	-905
Operating profit before items affecting comparability	2	1,121	1,202
Items affecting comparability	25		-259
Operating profit after items affecting comparability		1,121	943
Financial income		16	16
Financial expenses		-138	-125
Net financial items	8	-122	-110
Profit after financial items		999	834
Tax on profit/loss for the year	13	-267	-219
Profit for the year¹⁾		733	615
Per share data (before and after dilution)			
Profit before items affecting comparability, SEK	26	6.82	7.54
Profit after items affecting comparability, SEK	26	6.82	5.71
Cash flow from operating activities, SEK		35.30	3.55
Shareholders' equity, SEK		73.87	70.02
Number of shares at end of the year, million		107.2	107.6

¹⁾ Profit for the full year is attributable to Bonava AB's shareholders.

Consolidated Statement of Comprehensive Income

	2020	2019
Profit for the year	733	615
Items that have been or may be reclassified to profit for the period		
Translation differences during the year on translation of foreign operations	-330	139
Other comprehensive income for the year	-330	139
Comprehensive income for the year²⁾	403	754

²⁾ Comprehensive income for the full year is attributable to Bonava AB's shareholders.

Consolidated Balance Sheet

	Note	2020	2019
ASSETS	1, 11, 22		
Fixed assets			
Goodwill	9	22	22
Other intangible assets	9	130	168
Real estate used in business operations	10	93	78
Right-of-use assets, buildings		143	203
Machinery and equipment	10	166	148
Right-of-use assets, machinery and equipment		65	41
Other non-current shareholdings		3	4
Non-current receivables	12	123	124
Deferred tax assets	13	103	116
Total fixed assets	23	847	904
Current assets			
Housing projects			
Properties held for future development	14	6,998	7,149
Ongoing housing projects	14	10,766	11,740
Right-of-use assets, ongoing housing projects		20	21
Completed housing units	14	1,706	2,013
Housing projects		19,489	20,923
Materials and inventories		11	10
Tax receivables		14	60
Accounts receivable	24	220	225
Prepaid expenses and accrued income		126	118
Other receivables	12	779	749
Cash and cash equivalents	22	1,387	499
Total current assets	23	22,027	22,583
TOTAL ASSETS		22,874	23,487

	Note	2020	2019
SHAREHOLDERS' EQUITY			
Share capital	15	434	434
Other capital contributions		4,569	4,569
Reserves		-80	250
Profit brought forward incl. comprehensive income for the year		2,996	2,283
Shareholders' equity attributable to Bonava AB's shareholders		7,918	7,536
Non-controlling interest		4	5
Total shareholders' equity		7,923	7,540
LIABILITIES			
Non-current liabilities			
Non-current interest-bearing liabilities	16	2,930	1,208
Non-current interest-bearing lease liabilities	16	132	169
Other non-current liabilities	18	227	334
Deferred tax liabilities	13	125	131
Provisions	17	680	582
Total non-current liabilities	23	4,095	2,424
Current liabilities			
Current interest-bearing liabilities	16	1,564	5,927
Current interest-bearing lease liabilities	16	91	88
Accounts payable		636	707
Tax liabilities		240	195
Accrued expenses and deferred income	19	1,180	1,018
Other current liabilities	18	7,146	5,588
Total current liabilities	23	10,857	13,523
Total liabilities		14,952	15,947
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		22,874	23,487

Consolidated Statement of Changes in Shareholders' Equity

	Shareholders' equity attributable to Bonava AB's shareholders					Non-controlling interest	Total shareholders' equity
	Share capital	Other capital contributions	Reserves	Profit brought forward	Total		
Opening shareholders' equity, 1 January 2019	434	4,569	111	2,244	7,357	4	7,362
Profit for the year				615	615		615
Other comprehensive income			139		139		139
Total comprehensive income	0	0	139	615	754	0	754
Performance-based incentive programme				-16	-16		-16
Dividend				-560	-560		-560
Total transactions with shareholders	0	0	0	-577	-577	0	-577
Closing shareholders' equity, 31 December 2019	434	4,569	250	2,283	7,536	5	7,540
Profit for the year				733	733		733
Other comprehensive income			-330		-330		-330
Total comprehensive income	0	0	-330	733	403	0	403
Performance-based incentive programme				-1	-1		-1
Purchases of treasury shares				-19	-19		-19
Total transactions with shareholders	0	0	0	-20	-20	0	-20
Closing shareholders' equity, 31 December 2020	434	4,569	-80	2,996	7,918	4	7,923

Specification of reserves in shareholders' equity

Reserves	2020	2019
Translation reserve		
Opening translation reserve	250	111
Translation differences during the year on translation of foreign operations	-330	139
Closing translation reserve	-80	250

CHANGE IN SHAREHOLDERS' EQUITY

The change in shareholders' equity consists of profit for the year and other comprehensive income for the year, dividends, repurchases of treasury shares and effects of the long-term performance-based incentive programme.

OTHER CAPITAL CONTRIBUTIONS

Shareholders' equity paid up by shareholders.

RESERVES

Reserves pertain to translation reserves that include all exchange rate differences from 1 January 2013 and onwards arising from the translation of the financial statements of foreign operations prepared in a currency other than that used in Bonava's financial statements, i.e. SEK.

PROFIT BROUGHT FORWARD INCLUDING COMPREHENSIVE INCOME FOR THE YEAR

This item includes accrued earnings in Bonava and transactions with shareholders such as dividends, repurchases of treasury shares and performance-based incentive programmes.

Consolidated Cash Flow Statement

	Note	2020	2019
OPERATING ACTIVITIES			
Profit after financial items		999	834
Adjustments for items not included in cash flow:			
- Depreciation/amortisation	5	228	230
- Exchange rate effects		247	-103
- Changes in provisions		92	33
- Other incl. items affecting comparability		12	115
Total items not included in cash flow		579	275
Tax paid		-184	-337
Cash flow from operating activities before change in working capital		1,394	772
Cash flow from change in working capital			
Sales of housing projects	14	14,521	12,902
Investments in housing projects	14	-14,179	-13,919
Other changes in working capital	22	2,054	624
Cash flow from change in working capital		2,396	-393
Cash flow from operating activities		3,790	379
INVESTMENT ACTIVITIES			
Business combinations		-32	-404
Acquisitions of buildings and land		-14	-3
Acquisitions of property, plant and equipment and intangible assets		-94	-114
Sales of property, plant and equipment and intangible assets		1	4
Cash flow from investment activities		-128	-517
Cash flow before financing		3,662	-138
FINANCING ACTIVITIES			
Dividend paid			-560
Purchase of treasury shares		-19	
Increase in interest-bearing financial liabilities		2,669	3,140
Decrease in interest-bearing financial liabilities		-5,328	-2,376
Decrease in non-current interest-bearing receivables			5
Increase (-)/decrease (+) in current interest-bearing receivables		1	77
Cash flow from financing activities		-2,676	286
Cash flow for the year		986	148
Cash and cash equivalents at 1 January	22	499	325
Exchange rate difference in cash and cash equivalents		-98	26
Cash and cash equivalents at 31 December	22	1,387	499

Notes for the Group

1 Significant accounting policies

Bonava's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations made by the IFRS Interpretations Committee (IFRIC), as adopted by the EU, the Annual Accounts Act (1995:1554), RFR 1 Supplementary Accounting principles for Groups and its associated interpretations, which were published by the Swedish Financial Reporting Board.

The annual accounts and the consolidated accounts were approved for publication by the Board of Directors on 10 March 2021. The consolidated income statement and balance sheet and the Parent Company's income statement and balance sheet will be presented to the Annual General Meeting for adoption on 31 March 2021.

New standards applied by Bonava

None of the changes to IFRS that came into effect in 2020 had any material impact on Bonava.

New standards and interpretations that have not yet been applied by Bonava

None of the new or amended IFRS that have not yet come into effect are expected to have any material impact on Bonava.

CONSOLIDATED FINANCIAL STATEMENTS

Acquisition method

Business combinations deriving from parties who are not under joint control are recognised by applying the acquisition method. This method entails that the acquisition of a subsidiary is regarded as a transaction whereby Bonava indirectly acquires the subsidiary's assets and takes over its liabilities. The fair value on the date of acquisition of the acquired identifiable assets and assumed liabilities, as well as any non-controlling interests, is determined in the acquisition analysis.

Acquired and divested companies are included in Bonava's Income Statement, Balance Sheet and Cash Flow Statement during the holding period. Bonava acquired Urbanium AS in 2019; refer further to Note 24.

Subsidiaries

Companies in which Bonava has a controlling influence, in practice through a direct or indirect holding carrying more than 50 per cent of the voting rights, are consolidated in their entirety. A controlling influence is defined as influence over the company or association, the right to variable returns from its involvement with the company or association and the ability to exercise its influence over the company or association to affect returns. Bonava has a controlling influence over tenant-owner associations and housing companies which are consolidated in full.

Joint arrangements

Joint arrangements are defined as projects conducted in Bonava in forms similar to those of a consortium, meaning subject to joint control. This could take the form of, for example, jointly owned companies that are governed jointly. In Bonava's financial statements, joint arrangements are recognised in accordance with the proportional method. For further information, refer to Note 11.

Non-controlling interest

In companies that are not wholly owned subsidiaries, non-controlling interest is recognised as the share of the subsidiaries' equity held by external shareholders. This item is recognised as part of Bonava's shareholders' equity. The share attributable to non-controlling interests is recognised in profit or loss. Information about the share of profit attributable to non-controlling interest is disclosed in conjunction with the income statement. The effects of transactions with non-controlling interests are recognised in shareholders' equity if they do not result in any changes in controlling influence.

Foreign subsidiaries and joint arrangements

Foreign subsidiaries and joint arrangements are recognised using the functional currency and are translated to the reporting currency. For Bonava, the functional currency is defined as the local currency used in the reporting entity's accounts. The reporting currency is defined as the currency in which the Consolidated Financial Statements are reported, in Bonava's case Swedish kronor (SEK).

Elimination of Intra-Group transactions

Receivables, liabilities, revenue and expenses, as well as unrealised gains and losses that arise when an entity within Bonava sells a good or service to another Group Company, are eliminated in their entirety. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no need for impairment. The same applies to joint arrangements, to the extent this corresponds to Bonava's participating interest.

REVENUE

Bonava's net sales primarily comprise three revenue streams: sales of housing units to consumers, sales of housing projects to investors and – to a lesser extent – sales of land. IFRS 15 Revenue from Contracts with Customers describes a five-step model that deals with the entire revenue chain. For Bonava, this five-step model can be summarised as follows:

1. Identify the contract with customer
Depending on the revenue stream, Bonava identifies a customer contract with, for example, a private individual or an investor.
2. Identify the performance obligations in the contract
For Bonava, the customer contract generates an asset (a right, that is a promise to receive compensation) and a liability (an obligation, that is a promise to transfer goods). Bonava's various obligations to its customers are not distinct and are viewed as one performance obligation in the form of transferring a housing unit to the customer.
3. Determine the transaction price
The transaction price is a fixed price stipulated in the contract. Bonava's customers pay advances at various points in the process and to varying extents depending on the market. Advance payments are conditional on the completion of Bonava's performance obligation and thus do not affect Bonava's assessment that the performance obligation is fulfilled only when the buyer takes possession of the housing unit.
4. Allocate the transaction price to the performance obligation
This step is not applicable as Bonava only has a single performance obligation to its customers: the transfer of a housing unit.
5. Recognise revenue when a performance obligation is satisfied
Bonava recognises revenue in the income statement when the performance obligation to the buyer has been fulfilled by transferring control of the housing unit to the buyer. For Bonava, this means that the performance obligation is fulfilled at a specific point in time for both the consumer and investor business areas, which usually happens when the customer takes possession of the housing unit.

Housing projects for consumers

Bonava's business model for sales of housing units with ownership rights entails that Bonava enters into an agreement to build a housing unit with each respective owner. During the construction of the housing unit, accrued costs are recognised in the "Housing projects" asset class. Revenue is recognised when the housing units are completed and the customer has taken up occupancy of the home.

In Sweden and Finland, Bonava also develops housing projects by entering into a construction contract with a client, either a tenant-owner association in Sweden or a housing company in Finland.

1 Significant accounting policies, cont.

In Sweden, the end customer purchases a right of use in the tenant-owner association corresponding to an individual apartment. In Finland, the customer purchases shares in the housing company corresponding to an individual apartment. Bonava's business model means that control is transferred to the customer who acquires the housing unit when the customer takes possession of the housing unit. Since Bonava exercises control over both the tenant-owner association and the housing company during construction up until the sale to the end customer, these entities are consolidated. As a result, there is no contract with any external party until the end customer has signed a contract. Revenue is based on the actual revenue for the housing project sold. Recognised revenue per housing unit is offset by a share of the housing unit's estimated cost when the project is completed.

Housing projects for investors

Sales of housing projects to investors are recognised at the time when control is transferred to the buyer. Depending on the wording of the contract and local laws and regulations, this may occur on the signing date, continuously during production, or when the buyer takes possession of the housing units. For all projects during 2019 and 2020, Bonava's assessment is that control was transferred when the buyer took control of the housing units.

Sales of land

Sales of land are recognised on the date when control is transferred to the buyer, which normally coincides with the buyer taking possession of the land. Divestments of land that has not undergone project development are normally recognised in profit or loss on the date the customer takes possession of the land.

For all revenue flows, estimated losses are charged in their entirety to profit or loss for the period.

DEPRECIATION/AMORTISATION

Straight-line depreciation/amortisation according to plan is applied in accordance with the estimated useful life, with due consideration for any residual values at the end of the period, or after a confirmed decline in net asset value in those cases when the asset does not have an indefinite life. Goodwill that has an indefinite life is not amortised but is instead subject to systematic impairment testing. Bonava applies component depreciation/amortisation, whereby each asset with a considerable value is divided into a number of components that are depreciated/amortised on the basis of their particular useful life.

The period of depreciation/amortisation varies in accordance with the table below:

Software	1–5 years
Other intangible assets	3–10 years
Real estate used in business operations	8–25 years
Machinery and equipment	3–20 years

IMPAIRMENT LOSSES

When there is an indication of an impairment requirement, Bonava tests the carrying amount of fixed assets. An impairment requirement arises when the recoverable amount is less than the carrying amount. The term impairment is also used in connection with a reduced valuation of housing projects. Valuations of these projects are based on the "lower of cost or market" method, meaning the lower of cost and net realisable value.

LEASES

All contracts are recognised as leases in the consolidated accounts in the event that Bonava essentially has the rights to all economic benefits arising through use of the leased asset and if Bonava has the right to control the use of the leased asset. Leases are recognised in the balance sheet.

The right to use a leased asset is recognised either as property, plant and equipment (buildings, premises in which Bonava

conducts its operations, machinery and equipment – primarily cars and office equipment) or a current asset (ongoing housing projects) depending on how the leased asset would be classified if it were owned instead. Leases for land (ongoing housing projects) are recognised only when there is a confirmed zoning plan or the building permit can no longer be appealed. Before that point, Bonava has neither control of the land nor the rights and obligations associated with the land.

The obligation to make lease payments is recognised as a long- or short-term financial liability depending on the length of the lease.

Lease expenses are recognised as depreciation and interest expenses in the income statement.

Variable costs such as property tax and maintenance costs, including electricity, heating and water, have been excluded from the calculation of lease liabilities to the extent they can be separated from rental costs. There are no substantial variable lease payments that depend on an index or rate.

With respect to land leases, Bonava applies the rate implicit in the lease. For the remaining leases, the incremental borrowing rate is applied; this is established by taking the geographical market and term of the lease into account.

The term of the leases is in turn established through the start and end dates in the leases. Bonava has essentially chosen not to consider the possibility of extending lease contracts. This is not financially beneficial because the assets are not business-critical or specialised, and other suitable alternatives are deemed to be available. In addition, the costs associated with not extending the leases (e.g. costs for negotiation and relocation or costs for identifying another appropriate asset) were deemed to be immaterial.

Bonava does not have any finance leases in the capacity of lessor, nor has it applied exceptions for assets of a low value or short-term leases.

GOVERNMENT ASSISTANCE

Bonava recognises government assistance in accordance with IAS 20. In 2020, Bonava received limited government assistance. This government assistance is recognised as a cost reduction when there is a reasonable amount of certainty that Bonava will meet the conditions associated with the grants.

ITEMS AFFECTING COMPARABILITY

This heading includes events and transactions such as substantial legal disputes, major impairment losses, restructuring and other substantial non-recurring costs or revenue, the profit effect of which is important to note when the profit/loss for the period is compared with earlier periods. Tax on items affecting comparability and tax items that are themselves classified as items affecting comparability are recognised under tax in the consolidated income statement. Items recognised as affecting comparability in one period are recognised consistently in future periods by any potential reversal of these items also being recognised as items affecting comparability.

TAXES

Income taxes comprise current tax and deferred tax. Tax is recognised in profit or loss, except when the underlying transaction is recognised in other comprehensive income or in shareholders' equity, in which case the associated tax is recognised in other comprehensive income or in equity. Current tax is tax that is to be paid or received in the current year. This also includes adjustments of current tax attributable to prior periods.

Deferred tax is recognised on the basis of temporary differences between recognised and taxable values of assets and liabilities. For information on tax on profit for the year and deferred tax assets and liabilities, refer to Note 13.

Deferred tax assets and liabilities are calculated on the basis of the tax rate determined for the following year in each particular country. When changes occur in tax rates, the change is recognised in profit/loss for the year.

1 Significant accounting policies, cont.

REPORTING OF OPERATING SEGMENTS

An operating segment is a part of Bonava that conducts business operations from which it generates revenue and incurs costs and for which independent financial information is available. Furthermore, the earnings of an operating segment are continuously monitored by the chief operating decision-maker (in Bonava's case this is the CEO) in order to evaluate results and allocate resources to the operating segment. The reporting of operating segments concurs with the reports presented to the CEO, in Bonava's case on the basis of the countries in which Bonava conducts operations. For more information, refer to Note 2.

INTANGIBLE ASSETS

Intangible assets are recognised at cost less accumulated amortisation and impairment losses. Goodwill arises from acquisitions of companies and operations. Goodwill is not amortised but is impairment tested on an annual basis instead. For more information, refer to Note 9.

PROPERTY, PLANT AND EQUIPMENT

Real estate used in business operations

Real estate used in business operations is held for use in the company's operations for purposes such as production, provision of services or administration. These properties are recognised at cost less accumulated depreciation and any impairment losses. Refer also to Note 10.

Machinery and equipment

Machinery and equipment is recognised at cost less accumulated depreciation and any impairment losses. Refer also to Note 10.

FINANCIAL FIXED ASSETS

Financial fixed assets are recognised at fair value or amortised cost. Impairment losses are posted if the fair value is less than the cost. Refer also to "Financial instruments" below.

CURRENT ASSETS

Housing projects

Bonava's property holdings designated as housing projects are recognised as current assets, since the intent is to sell the properties and transfer them to the customer after completion. Property holdings are measured at the lower of cost and net realisable value.

Housing projects in Bonava are divided among:

- Properties held for future development
- Ongoing housing projects
- Completed housing units

For a distribution of amounts, refer to Note 14. Properties held for future development are reclassified as ongoing projects when construction on a project has started.

Properties held for future development

Properties held for future development refer to Bonava's holdings of land and building rights for future housing development and capitalised project development properties. Properties with leased buildings are classified as properties held for future development if the intent is to demolish or refurbish the properties.

The valuation of properties held for future development takes into consideration whether the properties will be developed or sold. The valuation of land and building rights for future development is based on a capital investment appraisal. This appraisal is updated with regard to the established sales price and cost trend when the market and other circumstances so require. In the event that a positive contribution margin from the development cannot be obtained with regard to normal contract profit, an impairment loss is recognised. Development expenses are capitalised when they pertain to land owned or controlled by Bonava.

Ongoing housing projects

In connection with the production start, the value of land and capi-

talised development expenses is reclassified to ongoing projects, together with costs incurred after the production start.

Completed housing units

Project costs for completed housing units are reclassified from ongoing housing projects to completed housing units at the date of final inspection. Completed housing units are measured at the lower of cost and net realisable value.

FINANCIAL INSTRUMENTS

Purchases and sales of financial instruments are recognised on the transaction date, meaning the date on which the company undertakes to purchase or sell the asset. Financial instruments recognised on the asset side of the balance sheet include cash and cash equivalents, non-current receivables, accounts receivable, endowment policies, financial investments and derivatives. Accounts payable, current and non-current borrowings, and derivatives are recognised under liabilities. Financial guarantees such as sureties are also included in financial instruments.

A financial asset or financial liability is recognised in the balance sheet when the company becomes a party to the instrument's contractual terms and conditions. Accounts receivable are recognised in the balance sheet when invoices have been sent. Accounts payable are recognised when invoices have been received.

A financial asset is derecognised from the balance sheet when the contractual rights have been realised or extinguished. The same applies to portions of financial assets. A financial liability is derecognised from the balance sheet when the contractual obligation has been fulfilled or otherwise terminated. This also applies to portions of financial liabilities.

Classification and measurement

The classification of an instrument is dependent on Bonava's classification of the asset in its business models and the characteristics of the instrument. At initial recognition, a financial instrument is classified on the basis of the purpose for which the instrument was acquired. This classification determines how the financial instrument is measured following the initial recognition, as described below.

Classification and measurement of financial assets

Bonava classifies its financial assets as follows:

Financial assets measured at fair value in profit or loss

This category includes Bonava's derivative instruments with a positive fair value. Changes in fair value are recognised in net financial items. Bonava's endowment policies are also measured at fair value through profit or loss.

Financial assets measured at amortised cost

Bonava has accounts receivable, non-current receivables and other receivables resulting from the collection of contractual cash flows measured at amortised cost (i.e. the amount at which they are expected to be received less doubtful receivables). Since the expected maturity of accounts receivable is short, a nominal value without discounting is recognised. Non-current receivables and other receivables are recognised at the amount in which they are expected to be received.

Bonava has not identified any financial assets measured at fair value through other comprehensive income.

Impairment of financial assets

The Group recognises a credit loss allowance for expected credit losses on financial assets measured at amortised cost. Bonava applies the simplified approach for the recognition of the allowance for expected credit losses for accounts receivable. The simplified approach means that Bonava measures the credit loss allowance for accounts receivable at an amount corresponding to the expected credit losses for the remaining term. The expected credit losses for accounts receivable are calculated using a provision matrix, which is based on past events, current conditions and

1 Significant accounting policies, cont.

forecasts of future economic conditions. For cash and cash equivalents, the allowance is based on the banks' probability of default.

The Group only enters into banking transactions with counterparties with a long-term credit rating of at least A- since these are deemed to have a low credit risk when testing for impairment. Information about credit ratings is provided by Standard & Poor's or an equivalent independent rating agency.

The Group defines default as meaning it is deemed unlikely that the counterparty will meet its obligations due to indications such as financial difficulties and missed payments. A default is always deemed to exist if a payment is more than 180 days past due.

Classification and measurement of financial liabilities

Bonava classifies its financial liabilities as follows:

Financial liabilities measured at fair value through profit or loss

This category includes Bonava's derivative instruments with a negative fair value. Changes in fair value are recognised in net financial items.

Other financial liabilities

Financial liabilities recognised at amortised cost are initially measured at fair value including transaction costs. After initial recognition, the liabilities are measured at amortised cost according to the effective rate method. This group includes loans, bond loans, accounts payable and other liabilities.

RECEIVABLES AND LIABILITIES IN FOREIGN CURRENCIES

Receivables and liabilities in foreign currencies are revalued at the exchange rate prevailing on the balance sheet date. Exchange rate differences arising from the translation of operational receivables and liabilities are recognised in operating profit, while exchange rate differences arising from the translation of financial assets and liabilities are recognised in net financial items.

REMUNERATION TO EMPLOYEES

Share-based remuneration

The Group's share-based remuneration programme consists of share rights and, as of 2020, synthetic shares. The fair value of allocated share rights at the time of allocation is recognised as a personnel cost with a corresponding increase in shareholders' equity. The fair value of allocated synthetic shares is recognised as a personnel cost with a corresponding increase in liabilities.

At each reporting date, Bonava AB judges the likelihood of performance targets being achieved. Expenses are measured based on the number of share rights and synthetic shares expected to be settled at the end of the vesting period.

When share rights and synthetic shares are to be settled, social security contributions are paid for the value of the employee benefits. These vary between the national markets where Bonava operates. In the period when services are rendered, provisions are made for these estimated social security contributions based on the fair value of the share rights and synthetic shares at the reporting date.

To fulfil Bonava AB's commitments pursuant to the long-term incentive programme, Bonava AB has repurchased Class B shares. These shares are recognised in treasury as a reduction in shareholders' equity. For a description of the Bonava Group's share-based payment programme, refer to Note 4.

Post-employment remuneration

Bonava differentiates between defined contribution and defined benefit pension plans. Defined contribution plans are defined as pension plans for which the company pays fixed fees to a separate legal entity and does not assume any obligations for payments of additional fees, even if the legal entity lacks sufficient assets to pay benefits accrued for employment up to and including the balance sheet date. Other pension plans are referred to as defined benefit plans. Bonava primarily has defined contribution plans.

Bonava's payments for defined contribution pension plans are recognised as a cost in the period when the employees perform the service the contribution relates to.

For salaried employees in Sweden, the ITP 2 plan's defined-benefit pension obligations for retirement and family pensions are secured through insurance in Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 10 Recognition of ITP2 Pension Plan financed through insurance in Alecta, this constitutes a multi-employer defined benefit plan.

For the 2020 financial year, the company did not have access to the information required for reporting its proportional share of the plan's commitment, plan assets and expenses, which made it impossible to report the plan as a defined benefit plan. The ITP 2 Pension Plan that is secured through insurance in Alecta is therefore recognised as a defined contribution plan. The premium for the defined-benefit retirement and family pension is calculated on an individual basis and depends on factors such as salary, previously vested pension and anticipated remaining term of employment. Anticipated fees during the next accounting period for ITP 2 insurance taken out with Alecta amount to SEK 10 M.

The collective solvency rate consists of the market value of Alecta's assets as a percentage of its insurance obligations, calculated in accordance with Alecta's actuarial accounting methods and assumptions, which do not comply with IAS 19. The collective solvency rate is normally allowed to vary between 125 and 155 per cent. If Alecta's collective solvency rate falls below 125 per cent or exceeds 155 per cent, measures must be taken to create conditions for returning the solvency rate to the normal interval. In the event of low solvency, one measure could be raising the agreed price for new subscriptions and increasing existing benefits. In the event of high solvency, one measure could be introducing premium reductions. At the end of 2020, Alecta's surplus in the form of its collective solvency rate was 148 per cent (148).

Remuneration on termination of employment

In conjunction with notice of employment termination, a provision is recognised only if the company is contractually obliged to terminate employment before the normal time, or when payments are made as an offering to encourage voluntary termination. For cases in which the company implements personnel cutbacks, a detailed plan is prepared that covers the workplace concerned, positions, and the approximate number of employees affected and disbursements for every personnel category or position, and the schedule for the plan's implementation, in the least. If severance payment requirements arising from personnel cutbacks extend beyond 12 months after financial year-end, such payments are discounted.

PROVISIONS

Provisions differ from other liabilities in that there is a degree of uncertainty concerning when payment will occur or the size of the amount required to settle the provision. Provisions are recognised in the balance sheet when a legal or informal commitment exists due to an event that has occurred, and it is probable that an outflow of economic resources will be required to settle the commitment and the amount can be estimated reliably.

Guarantee commitments

Provisions for future expenditure arising due to guarantee commitments are recognised at the estimated amounts required to settle the commitment on the balance sheet date. The estimation is based primarily on historical experience of comparable projects and calculations, but also on management's assessment and experience of similar transactions.

BORROWING COSTS

Borrowing costs attributable to qualifying assets are capitalised as a portion of the capitalised asset's cost when the borrowing costs are significant. A qualifying asset is one for which a substantial period of time is necessary to prepare the asset for its intended use (in Bonava's case, more than one year). Other borrowing costs are carried as expenses in the period in which they are incurred. SEK 0 (0) M was capitalised in the year. Transaction costs for loans raised are assigned to periods over the term of the loan according to the effective rate method.

1 Significant accounting policies, cont.

PLEDGED ASSETS

Bonava recognises collateral provided by the company or the Group as pledged assets for liabilities and/or obligations. These may be liabilities, provisions included in the balance sheet or obligations not recognised in the balance sheet. The collateral may be tied to assets in the balance sheet or mortgages and is limited to the legal entity providing the collateral. Assets are recognised at their carrying amount and property mortgages at their nominal value, regardless of whether the associated liability is lower. For type of collateral, refer to Note 21.

Deposit guarantees constitute collateral for investments and concession fees paid to tenant-owner associations formed by Bonava. Such guarantees are to be relinquished as soon as one year has passed after the final acquisition cost for the tenant-owner association has been established.

CRITICAL ESTIMATES AND ASSESSMENTS

The consolidated financial statements include certain assessments and assumptions about the future. These are based in part on historical information and in part on expectations concerning future events and thus may, at a later date, be changed because of, for example, changes in factors in the business environment. This must particularly be taken into account given the current circumstances and the uncertainty caused by the COVID-19 pandemic. The assessments that are most critical to Bonava are described below.

Revenue

Bonava's assessment is that the consumer business has a controlling influence over tenant-owner associations and housing companies, which are therefore consolidated in full. This means that there are no contracts with external parties before the end customer has signed a contract. On this basis, revenue recognition occurs in relation to the end customer (i.e. when housing units have been completed and the customer has taken up occupancy).

Depending on the wording of the contract and local laws and regulations, control of residential properties may be transferred to investors on the signing date, continuously during production, or when the housing units are delivered to the buyer. Bonava's assessment is that control is transferred upon taking occupancy of the property, and revenue during 2019 and 2020 is recognised at that date.

Valuation of housing projects

Bonava's housing projects are recognised at the lower of cost and net realisable value. The assessment of net realisable value is based on a series of assumptions such as sales prices, production costs, the price of land, rent levels and yield requirements as well as the possible timing of production start and/or sale. Bonava continuously monitors market conditions and tests the assumptions made on an ongoing basis. In some cases, the difference between the carrying amount and the estimated net realisable value is minor. A change in the assumptions made could give rise to impairment requirements.

Leases

Bonava assesses the possibility of extending its leases when they are signed, if conditions have materially changed and when less than one year remains in the lease term. Bonava's current assessment is that it is essentially not financially beneficial to extend the leases, since the assets are not business-critical for Bonava or specialised, and other suitable alternatives are deemed to be unavailable. In addition, the costs associated with not extending the leases (e.g. costs for negotiation and relocation or costs for identifying another appropriate asset) were deemed to be immaterial.

With respect to land leases, Bonava applies the rate implicit in the lease. For the remaining leases, Bonava is of the opinion that the discount rate can be established by using an incremental borrowing rate adjusted for geographical market and the term of the lease.

Guarantee commitments

At year-end, guarantee provisions amounted to SEK 474 M (358); refer to Note 17. Provisions for future expenditure arising due to guarantee commitments are recognised at the estimated amounts required to settle the commitment on the balance sheet date. This estimate is based on calculations, assessments by company management and experience gained from past transactions.

Surety and guarantee obligations, legal disputes, etc.

Within the framework of Bonava's regular business operations, Bonava occasionally becomes a party in legal disputes. In such cases, an assessment is made of Bonava's obligations and the probability of a negative outcome for the company. Bonava's assessment is based on the information and knowledge currently possessed by the company. In a number of cases, these assessments are difficult and the final outcome could differ from the assessment. Refer also to Note 17.

Sensitivity and risk analysis

For a sensitivity analysis of Bonava's interest rate risk and exchange rate risk, refer to Note 23.

COVID-19

The pandemic has caused uncertainty regarding the future development of market conditions and the possibility to continue creating homes and neighbourhoods. This impacted Bonava's risk exposure over the past year and will continue to affect the operations in the coming years.

In terms of financial risk, the increased risk from the pandemic is considered to be greatest for liquidity, financing and valuation risk. The risk of sudden changes in Bonava's revenue recognition has also increased since Bonava's reporting method entails that revenue is only recognised when the completed housing units are delivered to the customers.

Financial risk

Maintaining liquidity has been a major concern when it comes to financial risk mitigation. A number of different scenarios concerning the impact of COVID-19 have been analysed, and frequent meetings and status updates regarding forecasts and liquidity plans were held with the business units. Bonava has maintained a close dialogue with its main banks, issued a green bond in September and ensured healthy cash flow during the year. Refer to the section "Capital structure and financing" for more information on the Group's financing frameworks.

Revenue recognition

Bonava's business model and the agreement structure of housing projects mean that control is transferred to the buyer at the time of delivery of the housing unit or project. Bonava thereby satisfies the undertaking to transfer the housing unit or project upon delivery and recognises revenue and profit from sales of housing projects in full at this point. No revenue is recognised on the basis of forecast sales of housing projects. This applies to both housing units for consumers and investors.

Minor disruptions in the logistics and production chain, delayed final inspections, increased restrictions or other consequences of the pandemic could lead to the earnings effects being recognised in a later period than planned. This risk has increased as a consequence of the uncertainty generated by the ongoing pandemic.

Valuation

Uncertainty regarding market conditions and the impact on customers' purchasing power are indicators that a decline in value has occurred. However, the housing market displayed a strong trend despite the pandemic, particularly in the second half of the year. Sales of completed housing units have been favourable and the value of Bonava's completed unsold housing units has decreased year on year. Bonava has tested its housing projects and land held for future development on a regular basis, but did not identify any impairment requirements during the year.

2 Reporting of operating segments

Bonava's operations are divided into four operating segments based on the parts of the organisation monitored by the CEO, the chief operating decision-maker. Each operating segment has a manager who is responsible for the daily operations and regularly reports the results of the operating segment's performance to the

CEO. On the basis of this internal reporting, Bonava has identified the following segments: Germany, Sweden, Nordic (Finland, Denmark and Norway) and St. Petersburg-Baltics (St. Petersburg, Estonia, Latvia and Lithuania). All segments develop and sell housing units. Sales between the segments are not material.

2020	Germany	Sweden	Nordic	St. Petersburg-Baltics	Parent company and adjustments	Total
Net sales, consumers	5,843	3,086	3,125	1,429		13,484
Net sales, investors	1,604	374	1,106			3,085
Net sales, land	17	67	326			411
Other revenue	1	1	6	10		18
Selling and administrative expenses (including depreciation/amortisation)	-284	-128	-177	-63	-206	-857
Depreciation/amortisation	-99	-8	-34	-9	-78	-228
Operating profit before items affecting comparability	752	283	97	236	-247	1,121
Items affecting comparability						0
Operating profit after items affecting comparability	752	283	97	236	-247	1,121
Net financial items						-122
Profit after financial items						999
Fixed assets	332	223	123	34	136	847
Capital employed	4,128	3,020	3,427	1,126	940	12,641

2019	Germany	Sweden	Nordic	St. Petersburg-Baltics	Parent company and adjustments	Total
Net sales, consumers	5,063	2,949	2,844	1,232		12,088
Net sales, investors	1,158	434	1,057			2,650
Net sales, land	136	473	92			700
Other revenue	3	5	7	20		36
Selling and administrative expenses (including depreciation/amortisation)	-292	-151	-172	-59	-231	-905
Depreciation/amortisation	-97	-8	-31	-10	-84	-230
Operating profit before items affecting comparability	829	450	-23	194	-248	1,202
Items affecting comparability			-159		-100	-259
Operating profit after items affecting comparability	829	450	-182	194	-348	943
Net financial items						-110
Profit after financial items						834
Fixed assets	348	251	137	59	109	904
Capital employed	4,814	4,200	4,152	1,367	399	14,933

Net sales by country	Germany	Sweden	Finland	Denmark	Norway	St. Petersburg	Latvia	Estonia
2020	7,466	3,528	2,718	935	910	884	320	236
2019	6,361	3,861	2,539	787	675	805	308	139

No customer accounts for net sales corresponding to over 5 per cent of the Group's net sales.

3 Revenue

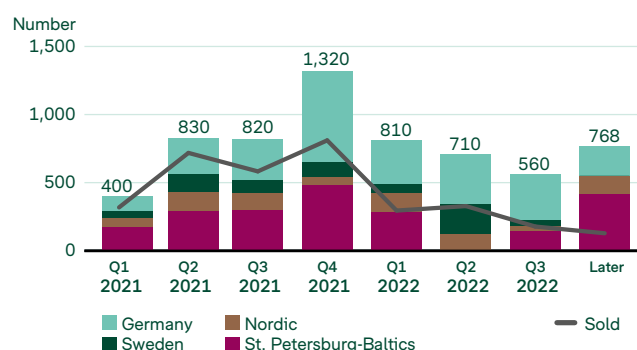
Estimated completions per quarter

The diagrams illustrate the estimated completion dates for housing units for consumers and investors. Changes such as the date for receiving building permits, disruptions in the logistics and production chain or other factors could positively or negatively impact the estimated time of completion. This risk of changes to the estimated time of completion has increased as a consequence of the uncertainty caused by the ongoing pandemic.

The number of housing units have been rounded off since they are estimates of the point in time of completion. The curves illustrate the percentage of units sold at 31 December 2020.

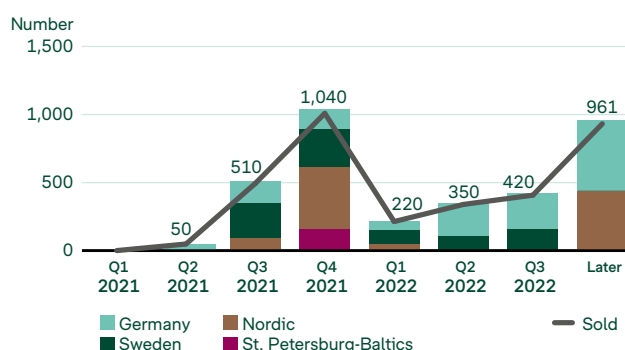
The value of housing units in production sold and completed housing units sold but not yet recognised in profit at 31 December 2020 was SEK 12.6 Bn (13.8) for consumers and SEK 7.9 Bn (7.3) for investors.

Consumers



Customer advances	2020	2019
Carrying amount on 1 January	5,171	4,320
Advances paid in	17,022	10,160
Advances recognised in profit	-15,507	-9,507
Other changes in customer advances	3	1
Translation differences for the year	-461	197
Carrying amount on 31 December	6,227	5,171

Investors



4 Number of employees, personnel costs and remuneration of senior executives

Average number of employees	2020		2019	
	No. of employees	Of which, men	No. of employees	Of which, men
Sweden	280	161	286	144
Germany	904	629	877	618
Finland	250	109	298	169
Denmark	66	44	79	54
Norway	58	38	32	26
St. Petersburg	327	169	292	170
Estonia	65	20	54	33
Latvia	125	87	127	95
Lithuania	6	3		
Total	2,082	1,260	2,045	1,309

Percentage women, %	2020	2019
Distribution of management by gender		
Total		
Board of Directors	43	43
Senior executives	40	50

Senior executives are defined as the individuals who, together with the CEO, constitute the Executive Management Group.

Salaries and other remuneration allocated between the Board and senior executives, and other employees

	2020			2019		
	Board of Directors and senior executives	Other employees	Total	Board of Directors and senior executives	Other employees	Total
Salaries and other remuneration	56	1,290	1,346	32	1,335	1,367
Social security expenses			329			313
- of which pension costs	10		105	7		101

TERMS AND REMUNERATION FOR SENIOR EXECUTIVES

The Chairman of the Board and the other directors elected by the Annual General Meeting receive remuneration only at an amount resolved by the Annual General Meeting. No pensions are paid to the Board of Directors.

Remuneration of the CEO is proposed by the Chairman of the Board and decided by the Board of Directors. Remuneration to other members of Bonava's senior management is proposed by the CEO and approved by the Chairman of the Board.

Remuneration to the CEO and other senior executives consists of a fixed salary, variable remuneration, share-based remuneration, other benefits and pensions. At the end of 2020, the number of senior executives was ten. Of these, six were employed by the Parent Company and four by subsidiaries.

The basic annual salary for newly appointed CEO Peter Wallin has been set at SEK 7.2 M. Peter Wallin assumed the role of CEO on 1 February 2021.

VARIABLE REMUNERATION

For new CEO Peter Wallin, variable remuneration is capped at 50

per cent of fixed salary. The variable remuneration payable to outgoing CEO Joachim Hallengren for 2020 was capped at 50 per cent of fixed salary. The variable remuneration was based on financial targets established by the Board of Directors. Remuneration for the 2020 financial year amounted to SEK 2.5 M (0.0). For other members of the Executive Management Group, variable remuneration is capped at 30 or 40 per cent of fixed remuneration.

PENSION TERMS FOR THE CEO

New CEO Peter Wallin has a defined-contribution pension plan with a premium amounting to 30 per cent of fixed salary. Peter Wallin's retirement age is 65.

PENSION TERMS FOR OTHER SENIOR EXECUTIVES

Other senior executives employed in Sweden have a defined-contribution ITP plan with a retirement age of 65.

For other senior executives employed outside Sweden, defined-contribution supplementary pension terms apply ranging from 0 to 10 per cent of pensionable salary depending on the country of employment.

Remuneration, provisions and other benefits in 2020

SEK 000	Total salary, remuneration and benefits ^{1) 2)}	of which, benefits	of which, variable remuneration ³⁾	of which, provisions for share-based remuneration ⁴⁾	Pension cost ⁵⁾
CEO Joachim Hallengren	24,432	73	2,494		1,982
Chairman Mikael Norman	775				
Director Viveca Ax:son Johnson	300				
Director Carl Engström	112				
Director Åsa Hedenberg	375				
Director Mats Jönsson	225				
Director Samir Kamal	300				
Director Angela Langemar Olsson	338				
Director Frank Roseen	300				
Director Anna Wallenberg	75				
Other senior executives, Group (ten individuals)	32,452	689	5,298		7,550
Total senior executives	59,684	762	7,792	0	9,532

¹⁾ Remuneration and benefits pertain to holiday pay, reduced working hours, company vehicles and, in the case of outgoing CEO Joachim Hallengren, expensed severance pay amounting to SEK 14,786,000.

²⁾ Board fees have been allocated from the date of the 2020 Annual General Meeting and onwards. At the 2020 Annual General Meeting, Carl Engström and Anna Wallenberg stepped down from the Board, and Mats Jönsson and Angela Langemar Olsson were elected. Audit Committee fees were paid to Angela Langemar Olsson (Chairman), Åsa Hedenberg and Mikael Norman.

³⁾ Variable remuneration pertains to the amounts expensed for each financial year.

⁴⁾ In 2020, the assessment of the outcome of the 2019 programme for share-based remuneration was adjusted downward by SEK 1 M.

⁵⁾ The pension cost for other senior executives includes a final payment to the ITP plan for a senior executive who retired in 2020.

Remuneration, provisions and other benefits in 2019

SEK 000	Total salary, remuneration and benefits ^{1) 2)}	of which, benefits	of which, variable remuneration ³⁾	of which, provisions for share-based remuneration ⁴⁾	Pension cost
CEO Joachim Hallengren	6,581	85			1,802
Chairman Mikael Norman	685				
Director Viveca Ax:son Johnson	296				
Director Carl Engström	498				
Director Åsa Hedenberg	371				
Director Samir Kamal	316				
Director Frank Roseen	296				
Director Anna Wallenberg	296				
Other senior executives, Group (ten individuals)	22,673	834	307		4,970
Total senior executives	32,012	919	307	0	6,772

¹⁾ Remuneration and benefits pertain to holiday pay, reduced working hours, company vehicles and, when appropriate, severance pay.

²⁾ Board fees have been allocated from the date of the 2019 Annual General Meeting and onwards. Audit Committee fees were paid to Carl Engström (Chairman), Åsa Hedenberg and Mikael Norman.

³⁾ Variable remuneration pertains to the amounts expensed for each financial year.

⁴⁾ In 2019, the assessment of the outcomes of the 2017 and 2018 programmes for share-based remuneration were adjusted downward by SEK 9 M, which exceeds the total provision of SEK 1 M for the 2019 programme.

SEVERANCE PAY

The period of notice for the CEO is six months. A period of notice of 12 months is in effect in conjunction with termination by the company. Severance pay amounts to 12 months. Other senior executives are subject to between nine and 12 months' notice from the company, or six months' notice if the senior executive resigns of his/her own accord. Severance pay for between nine and 12 months is payable if employment is terminated by the company. The severance pay will be reduced by an amount corresponding to any remuneration received from a new employer or own business. During the period of notice, senior executives may not take up a new position with another employer or conduct their own business activities without the company's written consent. Should the senior executive resign on his/her own accord, severance pay is not payable. When employment ends, the senior executive becomes subject to a prohibition on competition or employees for a period of 12 and nine months respectively.

Joachim Hallengren left the role as CEO of the company on 31 January 2021 and his employment by the company will end on 30 September 2021. Thereafter, the company will pay severance pay for 12 months in accordance with the principles stipulated above.

LONG-TERM INCENTIVE PROGRAMME

Bonava has three outstanding long-term performance-based share programmes for senior executives and key personnel in the Bonava Group (LTIP 2018, LTIP 2019 and LTIP 2020). The purpose of the programmes is to align the interests of the shareholders and Executive Management to ensure maximum long-term value creation and a long-term Group-wide focus on profit performance and to facilitate the recruitment and retention of members of the Executive Management Group and other key executives.

LTIP 2018

LTIP 2018 encompasses 50 senior executives and key personnel in the Bonava Group. LTIP 2018 is a three-year performance-based programme that involves participants receiving no-cost share rights that confer the right to Class B shares. Participants in LTIP 2018 are required to invest in independent shareholdings in Bonava AB (known as investment shares) that are allocated to LTIP 2018. The participants are divided into four categories: (1) CEO, (2) CFO and Business Unit Presidents, (3) rest of the Executive Management Group and other key personnel, and (4) key personnel with responsibility for functions. The allocation value per investment share is six share rights for category (1), five share rights for category (2), and four and three share rights for category (3) and (4) respectively.

Performance-based targets

Allocation of Class B shares is dependent on the extent to which two predetermined targets are met during the performance term. 70 per cent of the targets for LTIP 2018 relate to Bonava's earnings per share (EPS) and 30 per cent to Bonava's average return on capital employed (ROCE). The allocation of Class B shares is also based on a recalculation measure governed by total yields for Bonava's Class B share (share price change plus dividend) over a period.

Scope and cost of the programme

Assuming complete fulfilment of the performance-based targets and maximum participation and maximum investment, the value of the share rights amounts to approximately SEK 31 M including social security contributions.

Repurchase of treasury shares

In order to cover its undertaking in relation to LTIP 2018 for the delivery of Class B shares including social security expenses, Bonava has repurchased 265,861 Class B shares at a total value of SEK 29 M.

LTIP 2019

LTIP 2019 encompasses 50 senior executives and key personnel in the Bonava Group. LTIP 2019 is a three-year performance-based programme that involves participants receiving no-cost share rights that confer the right to Class B shares. Participants in LTIP 2019 are required to invest in independent shareholdings in Bonava AB (known as investment shares) that are allocated to LTIP 2019. The participants are divided into four categories: (1) CEO, (2) CFO and Business Unit Presidents, (3) rest of the Executive Management Group and other key personnel, and (4) key personnel with responsibility for functions. The allocation value per investment share is six share rights for category (1), five share rights for category (2), and four and three share rights for category (3) and (4) respectively.

Performance-based targets

The share rights are divided into Series 1, Series 2 and Series 3 and are weighted 30 per cent, 35 per cent and 35 per cent respectively. The allocation of Class B shares for the respective series depends on the extent to which the performance goals for the series are met. The goals for LTIP 2019 are related to Bonava's average return on capital employed (Series 1), total shareholder return on Bonava's Class B share (Series 2), and relative total shareholder return on Bonava's Class B share in relation to a comparison group of 25 companies (Series 3).

Scope and cost of the programme

Assuming complete fulfilment of the performance-based targets and maximum participation and maximum investment, the value of the share rights amounts to approximately SEK 32 M including social security contributions.

Repurchase of treasury shares

The 2019 Annual General Meeting resolved that the company will have the right to repurchase Class B shares in the company for the purpose of covering the costs that could arise as a result of the 2019 incentive programme. The company has not exercised this right.

LTIP 2020

LTIP 2020 encompasses 53 senior executives and key personnel in the Bonava Group. LTIP 2020 is a three-year performance-based programme that involves participants receiving no-cost performance-based share rights that confer the right to Class B shares, and synthetic shares. The synthetic shares enable the participants to pay the tax arising from the allocation of shares under LTIP 2020 without being required to immediately divest the shares. Participants in LTIP 2020 are required to invest in independent shareholdings in Bonava AB (known as investment shares) that are allocated to LTIP 2020. The participants are divided into four categories: (1) CEO, (2) CFO and Business Unit Presidents, (3) rest of the Executive Management Group and other key personnel, and (4) key personnel with responsibility for functions. The allocation value per investment share is three share rights and three synthetic shares for category (1), two and a half share rights and two and a half synthetic shares for category (2), two share rights and two synthetic shares for category (3), and one and a half share rights and one and a half synthetic shares for category (4).

Performance-based targets

The share rights are divided into Series 1, Series 2 and Series 3 and are weighted 40 per cent, 30 per cent and 30 per cent respectively. The allocation of Class B shares for the respective series depends on the extent to which the performance goals for the series are met. The goals for LTIP 2020 are related to Bonava's average return on capital employed (Series 1), total shareholder return on Bonava's Class B share (Series 2), and relative total shareholder return on Bonava's Class B share in relation to a comparison group of approximately 25 companies (Series 3).

Scope and cost of the programme

Assuming complete fulfilment of the performance-based targets and maximum participation and maximum investment, the value of the share rights and synthetic shares amounts to approximately SEK 37 M including social security contributions.

Repurchase of treasury shares

The 2020 Annual General Meeting resolved that the company will have the right to repurchase Class B shares in the company for the purpose of covering the costs that could arise as a result of the 2020 incentive programme. During the year, the company exercised this right and repurchased 430,294 Class B shares at a total value of SEK 19 M.

Share rights	Group	Parent Company
Outstanding at the beginning of the period	437,242	197,270
Allocated in the period	150,192	59,572
Forfeited in the period	-37,488	-9,501
Outstanding at end of period	549,946	247,341

Allocation in the 2017 long-term incentive programme

The results for the 2017 incentive programme did not reach the minimum level for the performance measures. No share rights were therefore allocated to the participants in accordance with the conditions of the 2017 incentive programme.

LTIP 2017

Targets	Weight, %	Share allocation	
		Outcome, %	Allocation, %
EBIT	70	0	0
ROCE	30	0	0
Total allocation			0

Fair value and assumptions

LTIP 2018	2020		2019	
	Group	Parent Company	Group	Parent Company
Fair value at valuation date, SEK 000	0	0	0	0
Share price, SEK	106.98	106.98	106.98	106.98
Exercise price, SEK	0	0	0	0
Term of the share rights, years	0.5	0.5	1.5	1.5

LTIP 2019	2020		2019	
	Group	Parent Company	Group	Parent Company
Fair value at valuation date, SEK 000	0	0	1,821	990
Share price, SEK	118.20	118.20	118.20	118.20
Exercise price, SEK	0	0	0	0
Term of the share rights, years	1.5	1.5	2.5	2.5

LTIP 2020	2020	
	Group	Parent Company
Fair value at valuation date, SEK 000	0	0
Share price, SEK	41.57	41.57
Exercise price, SEK	0	0
Term of the share rights, years	2.5	2.5

Personnel costs for share-based remuneration	2020		2019	
	Group	Parent Company	Group	Parent Company
Share rights	-1	-1	-16	-7
Social security expenses			-3	-2
Total personnel cost for share-based remuneration	-2	-1	-19	-9

5 Depreciation/amortisation

	2020	2019
Other intangible assets	77	84
Real estate used in business operations	11	10
Right-of-use assets, buildings	54	58
Machinery and equipment	38	35
Right-of-use assets, machinery and equipment	48	40
Right-of-use assets, ongoing housing projects		4
Total depreciation/amortisation	228	230

6 Remuneration and fees to audit firms

	2020	2019
Audit firm		
PwC		
Audit assignment	9	7
of which, Parent Company auditors	4	3
Audit-related activities in addition to audit assignment		
Tax advice		
Other fees		
Total PwC	9	7
<i>Other audit firms</i>		
Audit assignment		
of which, Parent Company auditors		
Other audit firms		
Audit assignment	1	1
Total remuneration and fees to auditors and audit firms	10	8

Audit assignment is defined as fees for the statutory audit (i.e. audit work required to present the Audit Report and provide audit advice in connection with the audit assignment).

7 Operating expenses distributed by cost type

	2020	2019
Production-related goods and services, and raw materials and consumables	13,973	12,525
Change in inventories	-1	-4
Personnel costs	1,675	1,679
Depreciation/amortisation	228	230
Settlement of a legal dispute ¹⁾		100
Total production costs, and selling and administrative expenses	15,875	14,530

¹⁾ In 2020, Bonava settled a legal dispute amounting to SEK 67 M. The legal dispute in 2019 was recognised as an item affecting comparability and is therefore recognised separately in the Note, unlike in 2020.

8 Net financial items

	2020	2019
Financial income	16	16
Interest expense on financial liabilities measured at amortised cost	-113	-87
Interest expense on financial liabilities held for trading purposes	10	-6
Net exchange-rate changes	2	3
Other financial expenses	-37	-34
Financial expenses	-138	-125
Net financial items	-122	-110

9 Intangible assets

2020	Goodwill	Other
Recognised cost at 1 January	67	437
Investments		42
Reclassification		-3
Translation differences		-3
Recognised cost at 31 December		472
Accumulated amortisation at 1 January		-237
Amortisation according to plan during the year		-77
Translation differences		2
Accumulated amortisation at 31 December		-312
Accumulated impairment losses at 1 January	-45	-31
Accumulated impairment losses at 31 December		-31
Residual value at 1 January	22	168
Residual value at 31 December	22	130

2019	Goodwill	Other
Recognised cost at 1 January	67	309
Investments		107
Reclassification		21
Recognised cost at 31 December	67	437
Accumulated amortisation at 1 January		-137
Reclassification		-16
Amortisation according to plan during the year		-84
Accumulated amortisation at 31 December		-238
Accumulated impairment losses at 1 January	-45	-31
Accumulated impairment losses at 31 December	-45	-31
Residual value at 1 January	22	140
Residual value at 31 December	22	168

Impairment testing of goodwill has not been included for reasons of materiality. The item "Other" refers mainly to capitalised development expenses for IT systems.

Amortisation is included in the following lines in the income statement

	2020	2019
Production costs	30	7
Selling and administrative expenses	47	77
Total	77	84

10 Property, plant and equipment

2020	Real estate used in business operations	Machinery and equipment	Total
Recognised cost at 1 January	128	375	502
Investments	27	68	95
Divestment and disposal		-14	-14
Reclassification	3		3
Translation differences for the year	-10	-14	-24
Recognised cost at 31 December	148	415	563
Accumulated impairment losses and depreciation on 1 January	-49	-226	-275
Divestment and disposal		7	7
Depreciation during the year	-11	-38	-48
Translation differences for the year	4	8	12
Accumulated impairment losses and depreciation on 31 December	-55	-249	-304
Residual value at 1 January	78	148	227
Residual value at 31 December	93	166	259

2019	Real estate used in business operations	Machinery and equipment	Total
Recognised cost at 1 January	121	401	521
Investments	2	26	28
Divestment and disposal		-5	-5
Reclassification		-55	-55
Translation differences for the year	5	7	12
Recognised cost at 31 December	128	375	502
Accumulated impairment losses and depreciation on 1 January	-37	-220	-257
Divestment and disposal		4	4
Depreciation during the year	-10	-35	-44
Reclassification		27	27
Translation differences for the year	-2	-3	-5
Accumulated impairment losses and depreciation on 31 December	-49	-226	-275
Residual value at 1 January	83	181	264
Residual value at 31 December	78	148	227

11 Participations in joint operations

Bonava's financial statements include the following items that constitute interests in the net sales, costs, assets and liabilities of joint operations.

	2020	2019
Revenue	21	429
Expenses	-25	-182
Profit/loss	-4	247
Fixed assets	27	90
Current assets	488	512
Total assets	515	602
Non-current liabilities	22	153
Current liabilities	172	130
Total liabilities	194	283
Net assets	321	319

Specification of joint operations	Shareholding, %
Tipton Brown AB	33
NVB Beckomberga KB	33
NCC Kaninen Projekt AB	30
Stora Ursvik KB	50
Ursvik Exploaterings AB	50
KB Öhusen	50
AB Broutsikten	50
Sigtuna Stadsängar Exploaterings AB ¹⁾	53
NVB Sköndalsbyggarna II AB	33
NVB Sköndalsbyggarna II KB	33

¹⁾ The company has not been consolidated because of a shareholder agreement stipulating that Bonava does not exercise control over the company.

12 Non-current receivables and other receivables

	2020	2019
Non-current receivables		
Other non-current receivables	123	124
Non-current receivables	123	124
Other receivables classified as current assets		
Receivables from housing projects sold	247	300
Advance payments to suppliers	33	33
Derivative instruments not used for hedge accounting	55	47
Receivables in tenant-owner associations	144	255
Other current receivables	299	113
Other receivables classified as current assets	779	749

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Tax on profit for the year, deferred tax assets and deferred tax liabilities

	2020	2019
Tax on profit/loss for the year		
Current tax cost	-273	-153
Deferred tax revenue/cost	7	-66
Total recognised tax on profit/loss for the year	-267	-219

Effective tax	2020		2019	
	Tax, %	Profit	Tax, %	Profit
Profit before tax		999		834
Tax according to company's current tax rate	-21	-214	-21	-178
Effect of other tax rates for non-Swedish companies	-4	-44	-6	-51
Amended tax rates in Sweden and Norway		-2		-1
Non-tax deductible costs	-2	-22	-1	-11
Non-taxable revenues ¹⁾	1	14	3	22
Tax effect resulting from non-capitalised tax loss carry-forwards		-1		-3
Tax effect of revaluation of tax loss carry-forwards		-1		
Tax attributable to prior years		6		3
Tax deducted at source for dividends in St. Petersburg		-3		
Average tax rate/recognised tax	-27	-267	-26	-219

¹⁾ Relates primarily to tax-free sales of shares in subsidiaries.

Current tax has been calculated based on the nominal tax prevailing in the country concerned. When the tax rate for future years has been amended, that rate is used for calculating deferred tax.

Change in deferred tax in temporary differences and tax loss carry-forwards

	2020	2019
Opening carrying amount	-15	132
Acquisition of subsidiaries	-35	-82
Recognised tax on profit/loss for the year	7	-66
Reclassification	15	
Translation differences	6	3
Closing carrying amount	-22	-15

Deferred tax asset/tax liability	Assets		Liabilities		Net	
	2020	2019	2020	2019	2020	2019
Ongoing housing projects	28	44			28	44
Properties held for future development			-117	-94	-117	-94
Untaxed reserves			-9	-20	-9	-20
Provisions	38	43			38	43
Tax loss carry-forwards	43	10			43	10
Other		5	-6	-3	-6	1
Deferred tax asset/tax liability	109	102	-132	-117	-22	-15

Capitalised tax loss carry-forwards are expected to be used within a five-year period.

14 Housing projects

2020	Properties held for future development	Ongoing housing projects	Completed housing units	Total
Recognised cost at 1 January	7,456	11,778	2,045	21,280
Investments ¹⁾	3,645	10,392	142	14,179
Divestments	-509	-11,138	-2,873	-14,521
Reclassification	-2,873	337	2,535	0
Translation differences for the year	-426	-566	-112	-1,104
Recognised cost at 31 December	7,293	10,804	1,737	19,834
Accumulated impairment losses at 1 January	-307	-38	-32	-377
Translation differences for the year	13		1	13
Accumulated impairment losses at 31 December	-294	-38	-31	-364
Residual value at 1 January	7,149	11,740	2,013	20,903
Residual value at 31 December	6,998	10,766	1,706	19,470

¹⁾ Investments pertain to investments in land held for future development, ongoing housing production and acquisitions of housing units that have been completed but have not yet been delivered or sold.

2019	Properties held for future development	Ongoing housing projects	Completed housing units	Total
Recognised cost at 1 January	5,941	11,419	1,521	18,880
Investments ¹⁾	4,030	10,579	203	14,812
Divestments	-400	-9,199	-3,302	-12,902
Reclassification	-2,275	-1,279	3,554	0
Translation differences for the year	161	258	69	488
Recognised cost at 31 December	7,456	11,778	2,045	21,280
Accumulated impairment losses at 1 January	-222	-38	-11	-271
Impairment losses for the year	-81		-21	-102
Translation differences for the year	-4			-4
Accumulated impairment losses at 31 December	-307	-38	-32	-377
Residual value at 1 January	5,720	11,381	1,510	18,611
Residual value at 31 December	7,149	11,740	2,013	20,903

¹⁾ Investments pertain to investments in land held for future development, ongoing housing production and acquisitions of housing units that have been completed but have not yet been delivered or sold.

15 Total shareholders' equity

Changes in share capital	No. of shares	Share capital, SEK 000
Number of shares, 1 January 2020	108,435,822	433,743
Number of shares, 31 December 2020	108,435,822	433,743

The shares are divided between 11,406,096 Class A shares and 97,029,726 Class B shares. Class A shares confer the right to ten votes each and Class B shares confer the right to one vote each. The quotient value per share is SEK 4.

In order to meet its commitments under its long-term incentive programmes, Bonava AB holds 1,245,355 (815,061) Class B treasury shares as of 31 December.

On 9 June 2016, NCC AB distributed all of the shares in Bonava AB to the shareholders. NCC AB remains a minority owner of Bonava Deutschland GmbH, but Bonava holds the option to acquire NCC AB's participations in 2021. According to a profit-sharing agreement, NCC AB will waive its dividend and instead receive annual compensation of EUR 1.3 M until the agreement is cancelled, which may occur five years from entering the agreement at the earliest. The agreed profit sharing means a debt of SEK 13 M to NCC AB has been reported at an amount corresponding to the fair value of one year of payments.

16	Interest-bearing liabilities	
	2020	2019
Non-current liabilities		
Liabilities to credit institutions and investors	2,176	844
of which, green bond	997	
Lease liabilities	132	169
Liabilities pertaining to Swedish tenant-owner associations and Finnish housing companies	623	157
Other non-current loans	131	208
Total	3,063	1,378
Current liabilities		
Liabilities to credit institutions and investors	905	3,707
Liabilities pertaining to Swedish tenant-owner associations and Finnish housing companies	646	2,208
Lease liabilities	91	88
Other current liabilities	13	13
Total	1,655	6,015
Total interest-bearing liabilities	4,718	7,393

For repayment schedules and terms and conditions, see Note 23.

17	Provisions		
2020	Guarantees	Other	Total
On 1 January	358	224	582
Provisions during the year	304	11	315
Amount utilised during the year	-186	-102	-288
Reversed, unutilised provisions	-27		-27
Reclassification	48	74	123
Translation differences	-23	-2	-25
On 31 December	474	206	680
2019	Guarantees	Other	Total
On 1 January	326	214	541
Provisions during the year	131	143	274
Amount utilised during the year	-115	-125	-240
Reversed, unutilised provisions	-2		-2
Reclassification	9	-9	0
Translation differences	8	1	8
On 31 December	358	224	582

GUARANTEES

Guarantee provisions pertain to assessed future costs. To estimate a future guarantee cost, individual assessments are made per project. Standard percentage rates are used for the calculation of the size of the future cost, whereby the standard percentage is varied depending on the nature of the project. The guarantee cost is posted individually for each project. The longest term for a guarantee provision is ten years, while a majority have maturities of approximately two to three years.

OTHER

Other provisions mainly comprise commitments in projects sold in Bonava Sweden. A majority have a term of approximately six years. In 2020, provisions has increased in Germany, partly due to a re-assessment of a legal dispute regarding a terminated construction contract from 2000. Provisions in Finland decreased as a result of restructuring completed during the year.

18	Other liabilities	
	2020	2019
Other non-current liabilities		
Liabilities, property acquisitions	187	239
Other non-current liabilities	40	95
Total	227	334
Other current liabilities		
Customer advances	6,227	5,171
Liabilities, land acquisitions	505	51
Derivative instruments not used for hedge accounting	1	11
Current liabilities, other	414	355
Total	7,146	5,588

19	Accrued expenses and deferred income	
	2020	2019
Payroll-related costs	220	164
Project-related costs	907	646
Administrative expenses	35	193
Interest expenses	9	7
Other expenses	10	8
Total	1,180	1,018

20 Leases

	2020	2019
Interest expenses for lease liabilities	8	12
Total cash flow for leases	108	109

For other disclosures on leasing, refer to Notes 1 (Leases section), 5 and 16.

21 Pledged assets and contingent liabilities

	2020	2019
Pledged assets		
<i>For own debt:</i>		
Property mortgages ¹⁾	869	1,715
Restricted bank funds	7	1
Other pledged assets	6	4
Total pledged assets	882	1,720
Surety and guarantee obligations		
<i>Own obligations:</i>		
Deposits and concession fees ²⁾	3,913	3,361
Other guarantee obligations		111
Total surety and guarantee obligations	3,913	3,471

¹⁾ Property mortgages relating to loans for completed unsold housing units in Finnish housing companies are recognised at nominal value for the project as a whole, regardless of whether the related liability is lower. As of the second quarter of 2020, Bonava recognises the corresponding share of loans for unsold housing units. The comparative figures have been adjusted.

²⁾ Deposit guarantees constitute collateral for deposits and concession fees paid to tenant-owner associations formed by Bonava Sverige AB. Such guarantees are to be restored one year after the final acquisition cost of the tenant-owner association's building has been established.

Rental guarantees comprise minor amounts.

22 Cash flow statement, cash and cash equivalents

	2020	2019
Other change in working capital		
Increase (-)/decrease (+) in inventories	-6	27
Increase (-)/decrease (+) in receivables	-61	238
Increase (-)/decrease (+) in liabilities	2,121	359
Other change in working capital	2,054	624
Cash and cash equivalents	2020	2019
Cash and bank balances	1,387	499
Total according to balance sheet and cash flow statement	1,387	499

Cash and cash equivalents are recognised at amortised cost. Fair value corresponds to the carrying amount. In accordance with IFRS 9, cash and cash equivalents are subject to impairment using the model for expected credit losses. No impairment took place in 2020.

Short-term investments have been classified as cash and cash equivalents based on the following considerations:

- They are subject to an insignificant risk of value fluctuation.
- They can easily be converted into cash funds.
- They have a maturity of up to three months at the time of acquisition.

INFORMATION ABOUT INTEREST PAID/RECEIVED

Interest received during the year amounted to SEK 20 M (13). Interest paid during the year amounted to SEK 100 M (95).

	2019	Cash flow	2020
Non-current interest-bearing receivables	2		2
Current interest-bearing receivables	19	-1	17
Total interest-bearing receivables	21	-1	19

	2018	Cash flow	2019
Non-current interest-bearing receivables	8	5	2
Current interest-bearing receivables	95	77	19
Total interest-bearing receivables	103	82	21

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Cash flow statement, cash and cash equivalents, cont.

	2019	Cash flow	Non-cash items			2020
			Exchange-rate changes	Companies acquired	New leases	
Non-current interest-bearing liabilities	1,208	1,738	-16			2,930
Interest-bearing lease liabilities	257	-108			74	223
Current interest-bearing liabilities	5,927	-4,289	-87	13		1,564
Total interest-bearing liabilities	7,393	-2,659	-103	13	74	4,718

	2018	Cash flow	Non-cash items			2019
			Exchange-rate changes	Companies acquired	New leases ¹⁾	
Non-current interest-bearing liabilities	1,610	-401	-1			1,208
Interest-bearing lease liabilities	22	-109			344	257
Current interest-bearing liabilities	4,338	1,274	47	268		5,927
Total interest-bearing liabilities	5,970	764	46	268	344	7,393

¹⁾ The substantial change is attributable to the transition to IFRS 16.

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Financial instruments and financial risk management

FINANCE POLICY (PRINCIPLES FOR RISK MANAGEMENT)

Bonava is exposed to financial risks through its business operations. Financial risk is defined as refinancing risk, liquidity risk, interest rate risk, exchange rate risk, credit risk, counterparty risk and guarantee capacity risk. Bonava's Treasury function assumes responsibility for compliance with the Finance Policy. Bonava's Finance Policy for managing financial risks has been decided by Bonava's Board of Directors and provides a framework of guidelines and regulations in the form of risk mandates and limits for the finance operations.

Within Bonava's decentralised organisation, the finance operations are centralised in the Group's Treasury function, in part to monitor the Group's overall financial risk position but also to achieve cost efficiency and economies of scale, to accumulate competence and to protect Group-wide interests. The Treasury function manages Bonava's interest rate, exchange rate, credit, refinancing, counterparty and liquidity risk. Customer credit risk is managed by the relevant business area.

REFINANCING RISK

Refinancing risk is defined as the risk that Bonava will not be able to obtain financing at a given time or that creditors will have difficulty in fulfilling their commitments. According to its Finance Policy, Bonava is to strive to spread its risks among various sources of financing to secure its long-term access to borrowed capital.

Bonava's policy is that the company's debt portfolio is to have a maturity structure that minimises exposure from the perspective of refinancing risk. The debt portfolio consists of project financing and corporate debt. Project financing relates to construction by Finnish housing companies and Swedish tenant-owner associa-

tions and is to be linked to individual housing projects, and the term must reflect the projects' completion dates. The maturity periods of the rest of the debt portfolio are to be well diversified over time and the weighted average remaining maturity must be at least 18 months.

In relation to the financing of construction of Finnish housing companies and Swedish tenant-owner associations totalling SEK 1,270 M (2,364), tied-up capital is linked to individual housing projects and averaged 11 (10) months. As of 31 December 2020, tied-up capital was 30 (32) months for the rest of the company's debt portfolio¹⁾. Tied-up capital was 25 (25) months for total interest-bearing liabilities¹⁾. For unutilised facilities, including overdraft facilities, the average maturity was 27 (36) months.

CAPITAL STRUCTURE

Bonava defines capital as shareholders' equity including minority share as indicated in the balance sheet. Capital amounted to SEK 7,923 M (7,540) as of 31 December 2020. Bonava's objective is to achieve a capital structure that results in an efficient weighted cost of capital and a credit rating that secures the operations' needs and potential future acquisitions.

When monitoring its capital structure, Bonava uses key measures, including the current and forecast equity/assets ratio and cash and cash equivalents. Bonava reviews its capital structure and makes changes when financial circumstances change. To retain or change the capital structure, Bonava's Board of Directors may propose an adjustment of the dividend paid to shareholders, pay an extra dividend, buy back shares, complete a new share issue or sell assets in order to reduce its liabilities.

¹⁾ Liabilities pertaining to leases were excluded from the calculation of the maturity period for tied-up capital.

Maturity structure of tied-up capital 2020¹⁾

Matures	Interest-bearing liabilities	
	Amount	Proportion, %
2021	1,665	37
2022	1,296	29
2023	131	3
2024	1,004	22
2025	203	5
2027–	201	4
Total	4,500	100

¹⁾ Concerns nominal amounts excluding liabilities pertaining to leases.

LIQUIDITY RISKS

Liquidity risk refers to the risk of being unable to meet payment obligations due to insufficient liquidity.

To achieve adequate flexibility and cost-effectiveness, while ensuring that future financing requirements are satisfied, Bonava's Finance Policy states that payment capacity must correspond to at least 10 per cent of annual sales. Payment capacity is defined as cash and cash equivalents, short-term investments and unutilised committed credit facilities. Available cash and cash equivalents are to be held in banks or invested in interest-bearing instruments with good credit ratings, and a liquid secondary market.

As of 31 December, Bonava's cash and cash equivalents and short-term investments amounted to SEK 1,387 M (499).

As of 31 December, Bonava's payment capacity was 35 per cent (13) including available cash and cash equivalents of SEK 1,368 M (482) and unutilised committed credit facilities of SEK 4,520 M (1,564).

The following table shows Bonava's financial assets and liabilities (including interest payments) and derivative instruments classified as financial assets and liabilities. For financial instruments carrying variable interest rates, the interest rate prevailing on the balance sheet date has been used.

The amounts in the tables are contractual undiscounted cash flows.

Analysis of maturities (amounts including interest)

2020	Carrying amount	Future payment amount	<3 months	3 months–1 year	1–3 years	3–5 years	>5 years
Other non-current shareholdings	3	3					3
Interest-bearing receivables	2	2			2		
Accounts receivable	220	220	220				
Cash and cash equivalents	1,387	1,387	1,387				
Currency derivatives	54						
inflow		3,268	2,624	645			
outflow		–3,212	–2,579	–633			
Total	1,666	1,669	1,652	12	2		3
Interest-bearing liabilities	3,225	3,416	19	967	1,008	1,016	406
Interest-bearing liabilities in Finnish housing companies and Swedish tenant-owner associations	1,270	1,296	202	560	520	12	2
Interest-bearing lease liabilities	223	330	22	68	116	78	46
Accounts payable	636	636	636				
Total	5,353	5,678	879	1,595	1,644	1,106	454

2019	Carrying amount	Future payment amount	<3 months	3 months–1 year	1–3 years	3–5 years	>5 years
Other non-current shareholdings	4	4					4
Interest-bearing receivables	2	2			2		
Accounts receivable	225	225	225				
Cash and cash equivalents	499	499	499				
Currency derivatives	36						
inflow		3,150	2,282	868			
outflow		–3,108	–2,250	–858			
Total	766	772	756	10	2		4
Interest-bearing liabilities	4,771	4,832	2,270	1,639	923		
Interest-bearing liabilities in Finnish housing companies and Swedish tenant-owner associations	2,364	2,389	265	1,929	195		
Interest-bearing lease liabilities	257	430	25	76	149	105	75
Accounts payable	707	707	707				
Total	8,099	8,358	3,267	3,644	1,267	105	75

INTEREST RATE RISK

Interest rate risk is the risk that changes in market rates will adversely affect Bonava's cash flow or the fair value of financial assets and liabilities. Bonava's main financing sources are shareholders' equity, cash flow from operating activities and borrowing.

Interest-bearing borrowing exposes Bonava to interest rate risk.

According to Bonava's Finance Policy for managing interest rate risk, the weighted average remaining fixed-rate term for liabilities concerning construction projects by Finnish housing companies and Swedish tenant-owner associations must not exceed the scheduled completion date for the project. For the rest of the company's debt portfolio, the fixed-rate term must be between one and 18 months.

The fixed-rate term for project-related debt of SEK 1,270 M (2,364) was three months (four). Interest-bearing liabilities for the rest of the company's debt portfolio amounted to SEK 3,230 M (4,771) and the average fixed-rate term was two (two) months. As of 31 December 2020, Bonava's total interest-bearing gross debt was SEK 4,500 M (7,136) and the average fixed-rate term was two (two) months¹⁾.

The fixed-rate term for project-related financing and the rest of the company's debt portfolio follows the Finance Policy.

There were no interest rate swaps outstanding as of 31 December 2020 or 2019.

An increase in interest rates by one percentage point would result in a change of SEK -19 M (-40) in net profit/loss for the year after net financial items, given the interest-bearing assets and liabilities that existed on the balance sheet date.

Interest rate sensitivity¹⁾

Profit	Profit effect, SEK M	
	2020	2019
Market interest rate $\pm 1\%$	19	40

Maturity structure, fixed-rate term 2020¹⁾

Matures	Interest-bearing liabilities	
	Amount	Proportion, %
2021	4,500	100
Total	4,500	100

EXCHANGE RATE RISK

Exchange rate risk is the risk that fluctuations in exchange rates will adversely affect the consolidated income statement, balance sheet or cash flow statement. Exchange rate risk can be managed using derivatives or forward agreements and is to be limited to the currencies to which the Group is exposed.

Transaction exposure

In accordance with Bonava's Finance Policy, transaction exposure must be eliminated as soon as it becomes known and material. Contractual flows are to be hedged.

Because Bonava's business units receive and make payments in local currency, the extent of the transaction exposure is limited.

The following table shows Bonava's interest-bearing liabilities in various currencies.

Interest-bearing liabilities 2020¹⁾

Counter-value	Amount	Proportion, %
EUR	2,079	46
NOK	609	14
SEK	1,812	40
Total	4,500	100

Translation exposure

Up until 2016, translation exposure in foreign net assets was hedged.

The following table shows Bonava's net investments by currency.

Counter-value	2020 Net investment	2019 Net investment
Currency		
DKK	277	359
EUR	1,746	1,659
NOK	681	534
RUB	528	647
Total	3,232	3,200

As of 31 December, a 5 per cent depreciation of the SEK in relation to other currencies would result in a change in shareholders' equity of SEK 162 M (161).

Currency sensitivity

	2020 Effect on shareholders' equity	2019 Effect on equity
DKK $\pm 5\%$	14	18
EUR $\pm 5\%$	87	83
NOK $\pm 5\%$	34	27
RUB $\pm 5\%$	26	32

CREDIT RISK**Credit and counterparty risk in financial operations**

Bonava's investment regulations for financial credit risks are revised continuously and characterised by caution. Banking transactions are only entered into with creditworthy counterparties with credit ratings of at least A- (Standard & Poor's) or the equivalent international rating, as well as local banks with a minimum rating equal to the creditworthiness of the country in which Bonava conducts operations. The International Swaps and Derivatives Association (ISDA) master agreement on netting is used with all external counterparties with respect to derivative trading. The investment regulations specify maximum credit exposures and maturities for various counterparties.

The total counterparty exposure relating to derivatives, calculated as net receivables per counterparty, amounted to SEK 87 M (73) at the end of 2020. Net receivables per counterparty is calculated in accordance with the market valuation method, i.e. the market value of the derivative plus a supplement for the change in risk (1 per cent of the nominal amount). The calculated gross exposure to counterparty risks pertaining to cash and cash equivalents and short-term investments amounted to SEK 1,387 M (499).

¹⁾ Concerns nominal amounts excluding liabilities pertaining to leases.

Credit risk in accounts receivable

The risk that Bonava's customers will not fulfil their obligations, meaning that payment is not received from customers, constitutes a credit risk. The credit rating of the Group's customers is checked, whereby information on the customers' financial position is obtained from various credit information companies. Essentially, the right of ownership of the product the customer is paying for is not transferred until full payment has been made. This means that Bonava's risk is low, as it is limited to changes in market value.

Age analysis of accounts receivable including receivables for divested housing projects at 31 December 2020

	Gross amount	Expected default rate, %	Credit loss allowance	Total
Not due accounts receivable	392	0.3-4	2	391
Past-due accounts receivable 1-30 days	24	0.3-5	1	24
Past-due accounts receivable 31-60 days	8	2.4-50	1	7
Past-due accounts receivable 61-180 days	41	3-100	3	38
Past-due accounts receivable >180 days	16	3-100	9	7
Total	482		14	467

Bonava has grouped its accounts receivable into portfolios corresponding to the respective Group operating segment, as these items are deemed to have a similar credit risk. Each operating segment in the Bonava Group has prepared a matrix for accounts receivables, which examines historical losses and has been adjusted for current and forward-looking conditions. This means that the intervals represent the lowest and highest credit loss allowance percentage applied in the Group for each period.

Change in credit loss allowance

	2020	2019
Opening balance as at 1 January	19	41
Provision for the year	9	19
Reversal of previously posted impairment losses	-13	-41
Translation differences	-1	
Closing balance as at 31 December	14	19

CARRYING AMOUNT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount and the fair value of financial instruments are presented in the following table.

The measurement at fair value of currency-forward contracts is based on published forward rates on an active market.

For financial instruments measured at amortised cost (accounts receivable, other receivables, cash and cash equivalents, accounts payable, other interest-free liabilities and other interest-bearing liabilities), fair value is considered equal to the carrying amount.

CLASSIFICATION OF FINANCIAL INSTRUMENTS

2020	Financial assets measured at fair value through other comprehensive income	Financial assets measured at fair value through profit or loss	Financial assets measured at amortised cost	Financial liabilities measured at fair value through profit or loss	Other financial liabilities	Total
Other non-current shareholdings		3				3
Non-current receivables			2			2
Accounts receivable			220			220
Other receivables			247			247
Cash and cash equivalents			1,387			1,387
Derivatives		55				55
Total assets		58	1,857			1,915
Non-current interest-bearing liabilities					3,063	3,063
Other non-current liabilities					227	227
Current interest-bearing liabilities					1,655	1,655
Accounts payable					636	636
Other current liabilities					505	505
Derivatives				1		1
Total liabilities				1	6,086	6,086

2019	Financial assets measured at fair value through other comprehensive income	Financial assets measured at fair value through profit or loss	Financial assets measured at amortised cost	Financial liabilities measured at fair value through profit or loss	Other financial liabilities	Total
Other non-current shareholdings		4				4
Non-current receivables			2			2
Accounts receivable			225			225
Other receivables			300			300
Cash and cash equivalents			499			499
Derivatives		47				47
Total assets		51	1,026			1,077
Non-current interest-bearing liabilities					1,208	1,208
Other non-current liabilities					334	334
Current interest-bearing liabilities					5,927	5,927
Accounts payable					707	707
Other current liabilities					51	51
Derivatives				11		11
Total liabilities				11	8,227	8,238

In the following tables, disclosures are made concerning how fair value has been determined for the financial instruments that are continuously measured at fair value and the financial instruments not measured at fair value in Bonava's balance sheet. The difference between fair value and carrying amount for long-term liabilities does not constitute a material amount and the carrying amount has therefore been deemed to correspond to the fair value. For current liabilities, the carrying amount has been deemed to correspond to the fair value. The fair value measurement divides assets into three levels. No transfers between levels occurred during the period and no significant changes were made with respect to measurement methods, data used or assumptions.

Level 1: according to prices quoted on an active market for identical instruments. The bond loan of SEK 1 Bn is measured at fair value according to level 1 of the fair value hierarchy, which involves measurement using direct or indirect market data.

Level 2: according to the method for Level 2, fair value is based on models that use other observable inputs for the asset or liability other than the quoted prices included in Level 1. For Bonava, these inputs include market interest rates and yield curves used to calculate fair value.

Level 3: on the basis of inputs that are not observable on the market. This category is not relevant for Bonava.

23 Financial instruments and financial risk management, cont.

	2020			2019		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial assets measured at fair value						
Derivative instruments not used for hedge accounting		55	55		47	47
Other securities held as non-current assets		3	3		4	4
Total financial assets		58	58		51	51
Financial liabilities measured at fair value						
Derivative instruments not used for hedge accounting		1	1		11	11
Financial liabilities measured at amortised cost						
Other liabilities (interest-bearing liabilities) ¹⁾		3,498	3,498		7,125	7,125
Bond loans	997		997			
Total financial liabilities	997	3,498	4,495		7,136	7,136

¹⁾ Excluding liabilities pertaining to leases.

OFFSETTING FINANCIAL INSTRUMENTS

Bonava has binding master agreements (ISDA) governing netting with all counterparties as regards derivatives. The table above

shows reported gross financial assets and liabilities that can be offset. Bonava has not offset any amounts in the balance sheet.

24 Business combinations

In 2019, Bonava acquired 100 per cent of the residential developer Urbanium AS, now Bonava Oslo AS, a group comprising five companies with an attractive land bank with the potential for completion of close to 1,000 housing units over the next seven years. The acquisition price was NOK 495 M. Bonava Oslo's operations primarily encompass a land bank in Oslo and the surrounding area. As a result of the acquisition, Bonava has strengthened its position in the Norwegian market.

Bonava integrated Bonava Oslo into the company's existing organisation in 2020. The acquisition calculation in 2020 was finalised as below.

The net assets of the acquired operations, measured at fair value at the time of acquisition:

Current assets	
Properties held for future development	643
Ongoing housing projects	52
Deferred tax assets	5
Current receivables	3
Cash and cash equivalents	10
Non-current liabilities	
Non-current interest-bearing liabilities	193
Current liabilities	
Current interest-bearing liabilities	72
Current non-interest bearing liabilities	57
Deferred tax liabilities	6
Identifiable assets and liabilities, net	385
Surplus value in properties held for future development	192
Deferred tax liabilities	57
Acquisition price	519

In 2020, Bonava acquired a bathroom pods manufacturer for an acquisition price of SEK 32 M. There was no goodwill in connection to this acquisition.

25 Items affecting comparability

No items affecting comparability were recognised in 2020.

The items recognised as affecting comparability in 2019 pertained to the settlement of a legal dispute originating from an operation Bonava discontinued many years ago. The total cost of SEK 100 M was recognised as an item affecting comparability under "Parent Company and adjustments", since the item was not attributable to Bonava's current operations.

Bonava also recognised a total cost of SEK 159 M related to the restructuring measures in Finland. The cost was recognised as an item affecting comparability under the Nordic segment.

The income statement below shows the Bonava Group including items affecting comparability.

	2019
Net sales	15,474
Production costs	-13,518
Gross profit	1,956
Selling and administrative expenses	-1,013
Operating profit	943
Financial income	16
Financial expenses	-125
Net financial items	-110
Profit after financial items	834
Tax on profit/loss for the year	-219
Profit for the year	615

26 Earnings per share

	2020	2019
Earnings per share before items affecting comparability, before and after dilution, SEK	6.82	7.54
Earnings per share after items affecting comparability, before and after dilution, SEK	6.82	5.71
Earnings before items affecting comparability attributable to the Parent Company's shareholders, SEK M	733	812
Earnings after items affecting comparability attributable to the Parent Company's shareholders, SEK M	733	615
Weighted average number of shares when calculating earnings per share before and after dilution, millions	104.4	104.6

27 Government assistance**Government assistance is recognised in profit or loss**

SEK M	2020	2019
Employee-related costs	11	
Other administrative expenses	1	
Total	12	0

In 2020, Bonava received limited government assistance, which was recognised as a cost reduction when Bonava, with reasonable certainty, had met the conditions associated with the grants. Bonava also received SEK 3 M for which the conditions for recognition have not yet been met, and consequently this has been recognised as a liability.

In addition to the above, various schemes related to the deferred payment of tax and social security contributions of SEK 6 M were utilised in 2020. These will be paid in 2021.

28 Financial key performance indicators**OVERVIEW OF SELECTED PERFORMANCE INDICATORS**

Unless otherwise stated, the table below contains certain financial and operational key performance indicators that are not defined according to IFRS. For definitions of key performance indicators, see "Definitions" in the section "Financial key performance indicators".

SEK M unless otherwise stated	2020	2019	2018	2017	2016
Profitability ratios					
Return on capital employed, % ^{1) 2)}	7.9	8.1	12.8	16.6	14.6
Key performance indicators at end of period					
Interest coverage ratio, multiple ²⁾	8.3	7.7	11.1	8.3	5.4
Equity/assets ratio, %	34.6	32.1	34.9	33.7	33.7
Interest-bearing liabilities/total assets, %	20.6	31.5	28.3	27.2	26.7
Net debt	3,311	6,873	5,542	4,165	3,699
Net debt, excl. tenant-owner associations and housing companies	1,971	3,635	577	-838	75
Debt/equity ratio, multiple	0.4	0.9	0.8	0.6	0.7
Capital employed at end of period	12,641	14,933	13,332	12,003	10,134
Capital employed, average	13,953	14,579	12,683	11,419	10,412
Capital turnover rate, multiple ²⁾	1.2	1.1	1.1	1.3	1.3
Share of risk-bearing capital, %	35.2	32.7	35	33.8	33.8
Average interest rate at end of period, % ³⁾	2.18	1.12	1.41	2.86	3.75
Average fixed-rate term, years ³⁾	0.1	0.1	0.2	0.2	0.3
Average interest rate at end of period, % ⁴⁾	1.5	1.23	1.3	1.4	1.35
Average fixed-rate term, years ⁴⁾	0.3	0.3	0.2	0.1	0.1
Per share data before and after dilution					
Profit after tax, SEK	6.82	5.71	11.74	12.99	9.26
Cash flow from operating activities, SEK	35.30	3.55	-5.84	0.79	6.54
Dividend, SEK ⁵⁾	5.25	0.00	5.20	5.20	3.80
Shareholders' equity, SEK	73.87	70.02	68.36	61.48	52.25
Average number of shares, million	107.4	107.6	107.6	107.9	108.4

¹⁾ Before items affecting comparability. For a description of items affecting comparability, refer to Notes 1 and 25.

²⁾ Calculations are made on the basis of a 12-month average.

³⁾ Excluding loans in Swedish tenant-owner associations, Finnish housing companies and leases. For more information, refer to "Construction finance for tenant-owner associations and housing companies" under "Capital structure and financing".

⁴⁾ Pertains to loans in Swedish tenant-owner associations and Finnish housing companies. For more information, refer to "Construction finance for tenant-owner associations and housing companies" under "Capital structure and financing".

⁵⁾ Dividend for 2020 is the Board of Director's proposal to the Annual General Meeting.

No. of housing units unless otherwise stated	2020	2019	2018	2017	2016
Building rights at end of period	31,800	33,300	30,600	31,400	28,000
Of which, building rights off the balance sheet	12,300	14,000	15,300	14,600	10,500
Housing development for consumers					
Housing units recognised in profit in the period	4,295	4,170	3,539	4,294	4,371
Housing starts in the period	4,193	3,010	4,375	4,984	4,041
Housing units sold in the period	3,854	3,918	3,906	3,984	4,311
Housing units in ongoing production at end of period	6,218	6,179	7,259	6,844	6,158
Sales rate, ongoing production, at end of period, %	53	59	52	54	63
Reservation rate, ongoing production, at end of period, %	3	4	4	3	6
Completion rate, ongoing production, at end of period, %	49	48	46	44	49
Completed housing units not recognised in profit at end of period	573	714	718	377	373
Housing units for sale (ongoing and completed) at end of period	3,340	3,001	3,833	3,443	2,440
Completed unsold housing units	441	477	379	284	180
Housing development for investors					
Housing units recognised in profit in the period	1,519	1,341	1,686	1,170	407
Housing starts in the period	1,517	1,441	2,103	1,718	1,791
Housing units sold in the period	1,714	1,244	2,103	1,718	1,922
Housing units in ongoing production at end of period	3,551	3,553	3,453	3,036	2,955
Sales rate, ongoing production, at end of period, %	100	94	100	100	100
Completion rate, ongoing production, at end of period, %	38	33	30	32	40
Completed housing units not recognised in profit at end of period					
Housing units for sale (ongoing and completed) at end of period					

Housing development for consumers	2020	2019	2018	2017	2016
Housing units in ongoing production at start of period	6,179	7,259	6,844	6,158	6,432
Changed evaluation of number of housing units in production at start of period					
Resumption of housing starts ¹⁾		76			
Housing starts in the period	4,193	3,010	4,375	4,984	4,041
Housing units recognised in profit in the period	-4,295	-4,170	-3,539	-4,294	-4,371
Decrease (+)/increase (-) in completed housing units not recognised in profit at end of period	141	4	-421	-4	56
Housing units in ongoing production at end of period	6,218	6,179	7,259	6,844	6,158

Housing development for investors	2020	2019	2018	2017	2016
Housing units in ongoing production at start of period	3,553	3,453	3,036	2,955	2,346
Housing starts in the period	1,517	1,441	2,103	1,718	1,791
Housing units recognised in profit in the period	-1,519	-1,341	-1,686	-1,170	-407
Time delay between completion and recognition in profit in Bonava Finland ²⁾				-467	-775
Housing units in ongoing production at end of period	3,551	3,553	3,453	3,036	2,955

¹⁾ Projects recognised as housing starts at the initial starting date. In the event of delays in conjunction with appeals of building permits, projects are excluded from housing units in ongoing production. In Sweden, one project was resumed after a delayed process due to building permits being appealed.

²⁾ Up until 2015, Bonava Finland's housing units for investors were recognised in profit at the time of production start. There has thus been a time delay between the years regarding recognition in profit and completion of housing units for investors. From 2016, housing units for investors in Bonava Finland are recognised in profit at the time of completion.

Parent Company Income Statement

	Note	2020	2019
Net sales	1, 12	281	266
Production costs		-74	-46
Gross profit		207	220
Administrative expenses		-431	-455
Operating loss	2, 3, 4	-225	-235
Profit from financial items			
Profit from participations in Group companies	5	568	793
Other interest income and similar items		178	170
Interest expenses and similar items	6	-90	-50
Profit after financial items		431	679
Appropriations			
Changes to tax allocation reserve		33	-32
Group contributions received		128	259
Profit before tax		591	905
Tax on profit for the year	9	-1	-21
Profit for the year		590	884

Parent Company Balance Sheet

	Note	2020	2019
ASSETS	1		
Fixed assets			
<i>Intangible assets</i>			
Capitalised expenditure for development work, etc.	7	113	141
Total intangible assets		113	141
<i>Property, plant and equipment</i>			
Equipment		7	7
Total property, plant and equipment		7	7
<i>Financial fixed assets</i>			
Participations in Group companies	8	2,615	2,258
Other non-current receivables		8	4
Total financial fixed assets		2,623	2,263
Total fixed assets		2,742	2,411
Current assets			
<i>Current receivables</i>			
Receivables from Group companies		7,002	8,071
Prepaid expenses and accrued income		48	40
Other receivables		542	1,301
Cash and bank balances		899	59
Total current receivables		8,492	9,471
TOTAL ASSETS		11,234	11,882
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
<i>Restricted equity</i>			
Share capital		434	434
Fund for development expenses		54	80
Total restricted equity		488	513
<i>Non-restricted equity</i>			
Profit brought forward		6,631	5,741
Profit for the year		590	884
Total non-restricted equity	14	7,222	6,625
Total shareholders' equity		7,709	7,139
<i>Untaxed reserves</i>			
<i>Tax allocation reserve</i>			32
Total untaxed reserves			32
<i>Provisions</i>			
Other provisions		6	4
Total provisions		6	4
<i>Non-current liabilities</i>			
Liabilities to credit institutions	10	2,176	844
Total non-current liabilities		2,176	844
<i>Current liabilities</i>			
Accounts payable		44	25
Liabilities to Group companies		321	62
Current tax liability			17
Liabilities to credit institutions		904	3,707
Other liabilities		1	18
Accrued expenses and deferred income	11	73	34
Total current liabilities		1,343	3,863
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		11,234	11,882

Parent Company Changes in Shareholders' Equity

	Restricted equity		Non-restricted equity		Total shareholders' equity
	Share capital	Fund for development expenses	Profit brought forward	Profit for the year	
Opening shareholders' equity, 1 January 2019	434	70	4,121	2,206	6,830
Appropriation of profit			2,206	-2,206	0
Transfer to/from fund for development expenses		10	-10		0
Performance-based incentive programme			-16		-16
Dividend			-560		-560
Profit for the year				884	884
Closing shareholders' equity, 31 December 2019	434	80	5,741	884	7,139
Appropriation of profit			884	-884	0
Transfer to/from fund for development expenses		-26	26		0
Performance-based incentive programme			-2		-2
Purchase of treasury shares			-19		-19
Profit for the year				590	590
Closing shareholders' equity, 31 December 2020	434	54	6,631	590	7,709

Parent Company Cash Flow Statement

	Note	2020	2019
OPERATING ACTIVITIES			
Profit after financial items		431	679
<i>Adjustments for items not included in cash flow:</i>			
- Anticipated dividend		-392	-359
- Depreciation/amortisation	3	66	74
- Impairment losses	5	1	11
- Changes in provisions		2	1
- Other		-1	-9
Total items not included in cash flow		-324	-282
Tax paid		-34	-80
Cash flow from operating activities before change in working capital		73	316
Cash flow from change in working capital			
Increase (-)/decrease (+) in receivables		365	485
Increase (+)/decrease (-) in liabilities		54	-161
Cash flow from change in working capital		419	323
Cash flow from operating activities		492	639
INVESTMENT ACTIVITIES			
Investments in shares in subsidiaries		-358	
Investments in equipment			-1
Investments in intangible assets	7	-37	-80
Cash flow from investment activities		-396	-80
Cash flow before financing		96	559
FINANCING ACTIVITIES			
Dividend paid			-560
Purchase of treasury shares		-19	
Increase (-)/decrease (+) in interest-bearing receivables		1,972	-2,779
Increase (+)/decrease (-) in interest-bearing liabilities		-1,209	3,037
Cash flow from financing activities		745	-301
Cash flow for the year		841	258
Cash and cash equivalents at 1 January		59	-199
Cash and cash equivalents at 31 December		899	59

Interest received during the year amounted to SEK 178 M (170).

Interest paid during the year amounted to SEK 63 M (36).

Parent Company cash flow statement, cont.

	2019	Cash flow	Group contributions	2020
Current interest-bearing receivables	8,929	-1,972	128	7,084
Total interest-bearing receivables	8,929	-1,972	128	7,084

	2018	Cash flow	Group contributions	2019
Current interest-bearing receivables	5,891	2,779	259	8,929
Total interest-bearing receivables	5,891	2,779	259	8,929

Group contributions are recognised as interest-bearing receivables as they are recorded, but do not impact cash flow. This occurs the following year, when the Group contribution is settled.

	2019	Cash flow	2020
Current interest-bearing liabilities	3,764	-2,542	1,222
Non-current interest-bearing liabilities	844	1,332	2,176
Total interest-bearing liabilities	4,608	-1,209	3,398

	2018	Cash flow	2019
Current interest-bearing liabilities	956	2,808	3,764
Non-current interest-bearing liabilities	614	229	844
Total interest-bearing liabilities	1,570	3,037	4,608

Parent Company Notes

1 Accounting policies

The Parent Company's Annual Report has been prepared in accordance with the Annual Accounts Act (1995:1554) and the recommendation RFR 2, Accounting for legal entities and statements from the Swedish Financial Reporting Board.

The Parent Company's accounting policies differ from the Group's in the following ways:

Subsidiaries

For the Parent Company, shares in subsidiaries are recognised at cost less any impairment losses. Impairment losses for these shares and participations arise if the recoverable amount is lower than the carrying amount. Received and anticipated dividends are recognised as revenue.

Leases

In the Parent Company, all lease expenses are recognised in the income statement in conjunction with the cost arising.

Group contributions

Group contributions received and paid are recognised as appropriations in the Parent Company income statement, in accordance with the alternative rule in RFR 2.

Borrowing costs

The Parent Company recognises total borrowing costs as an expense in the period in which they arise.

2 Number of employees, salaries and other remuneration

The average number of employees for the year was 92 (80). 57 (51) of the employees are women and 35 (29) are men.

Gender division

	Percentage women, %	
	2020	2019
Board of Directors	43	43
Senior executives	40	50

Salary and other remuneration, and social security expenses including pension costs

	2020	2019
Salary and remuneration	119	91
Social security expenses	58	48
of which, pension costs	20	17

Salary and remuneration refer exclusively to personnel in Sweden. Refer also to Note 4 for the Group, Number of employees, personnel costs and remuneration to senior executives.

Salary and other remuneration divided among Board members, CEO and other employees

	2020		2019	
	The Board and CEO	Other employees	The Board and CEO	Other employees
Salaries and other remuneration	27	92	9	82
of which, bonuses, etc.	2	5	0	0

3 Depreciation/amortisation

	2020	2019
Intangible assets	63	70
Property, plant and equipment	3	4
Total depreciation/amortisation	66	74

6 Interest expenses and similar items

	2020	2019
Interest expenses, credit institutions	63	36
Other financial expenses	27	14
Total	90	50

4 Remuneration and fees to audit firms

	2020	2019
Audit firm		
PwC		
Audit assignment	2	2
Total remuneration and fees to auditors and audit firms	2	2

Audit assignment is defined as fees for the statutory audit (i.e. audit work required to present the Audit Report and provide audit advice in connection with the audit assignment).

5 Profit from participations in Group companies

	2020	2019
Dividend	569	805
Impairment losses	-1	-11
Total	568	793

7 Intangible assets

	2020	2019
Acquired intangible assets		
Recognised cost at 1 January	374	294
Investments	37	80
Recognised cost at 31 December	408	374
Accumulated amortisation at 1 January	-201	-132
Amortisation according to plan during the year	-63	-70
Accumulated amortisation at 31 December	-264	-201
Accumulated impairment losses at 1 January	-31	-31
Accumulated impairment losses at 31 December	-31	-31
Residual value at 1 January	141	131
Residual value at 31 December	113	141

8

Participations in Group companies

Name, Corp. ID no., Reg. office	Proportion, %	No. of shares	Carrying amount	
			2020	2019
Bonava Danmark A/S, 32 65 55 05, Denmark	100	5,000	456	456
Bonava East Holding AB, 556495-9079, Stockholm	100	1,000		
Bonava Eesti OÜ, 11398856, Estonia	100	1	41	41
Bonava Holding GmbH, HRB 16608 FF, Germany	100	373	373	373
Bonava Industry AB, 55912-2309, Olofström	100	16,000	43	
Bonava Latvija SIA, 40003941615, Latvia	100	15,780,000	176	176
Bonava Lietuva UAB, 305099434, Lithuania	100	250	9	
Bonava Norge AS, 980 390 020, Norway	100	7,501	677	481
Bonava Suomi Oy, 2726714-3, Finland	100	10,000	300	300
Bonava Supply AB, 559261-2807, Stockholm	100	25,000		
Bonava Sverige AB, 556726-4121, Stockholm	100	1,000	158	49
Bonava Wohnbau GmbH, HRB 15662 FF, Germany	10	2,500	1	1
LLC Bonava Saint-Petersburg, INN7841322136, Russia	100		198	381
LLC Petro Center, Russia				1
LLC Special Developer Bonava, INN1207800061248, Russia	99		183	
Total participations in Group companies			2,615	2,258

Only directly owned companies are reported in the table above. Apart from the companies listed above, Bonava AB indirectly controls a number of trading and dormant sub-subsidiaries.

9

Tax on profit for the year and deferred tax assets

	2020	2019	Effective tax	Profit	
				2020	2019
Tax on profit for the year			Profit before tax	591	905
Current tax cost	-2	-21	Tax according to company's current tax rate	-127	-194
Deferred tax revenue/cost	1		Non-tax deductible costs	-2	-5
Total recognised tax on profit/loss for the year	-1	-21	Non-taxable revenues	129	178
			Tax attributable to prior years	2	
			Tax on dividends from Russia	-3	
			Recognised tax	-1	-21
			Effective tax, %	0	2

10 Interest-bearing liabilities

	2020	2019
Non-current liabilities		
Liabilities to credit institutions	2,176	844
of which, green bonds	997	
Total non-current liabilities	2,176	844
Current liabilities		
Liabilities to credit institutions	904	3,707
Liabilities to Group companies	318	57
Total current liabilities	1,222	3,764
Total interest-bearing liabilities	3,398	4,608

For repayment schedules and terms and conditions, see Note 23 for the Group, Financial instruments and financial risk management.

11 Accrued expenses and deferred income

	2020	2019
Payroll-related costs	52	20
Administrative expenses	10	6
Interest expenses	6	6
Other expenses	4	1
Total	73	34

12 Pledged assets and contingent liabilities

	Utilised amount	
	2020	2019
Deposits and concession fees	3,918	3,971
Construction loans, tenant-owner associations	811	1,470
Counter guarantee to external guarantors	9,616	8,648
Other guarantee commitments	5,092	4,988
Other pledged assets	6	3
Total pledged assets and contingent liabilities	19,443	19,079

The Parent Company's guarantees are on behalf of subsidiaries.

13 Information about the Parent Company

Bonava AB, corp. ID no. 556928-0380, is a registered limited company with its registered office in Stockholm, Sweden. Bonava AB's shares are listed on the Stockholm Stock Exchange (Nasdaq Stockholm Mid Cap).

The address of the head office is Bonava AB, Lindhagensgatan 72, Stockholm, Sweden.

The consolidated financial statements for 2020 consist of the Parent Company and its subsidiaries, jointly termed the Group. The Group also includes holdings in associated companies.

14 Appropriation of profit

The Board of Directors proposes that distributable earnings of SEK	7,221,637,116
<i>Be appropriated as follows:</i>	
Ordinary dividend to shareholders SEK 3.25 per share	348,369,018
Extraordinary dividend to shareholders SEK 2.00 per share	214,380,934
Carried forward	6,658,887,164
Total SEK	7,221,637,116

Shares repurchased by Bonava AB do not confer the right to receive dividends. The total amount of the proposed dividend is calculated on the basis of the number of outstanding shares as of 24 February 2021.

For dividend payment dates and amounts, refer to the section "Proposed dividend" in the Report of the Board of Directors on page 52.

Appropriation of profit

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Extraordinary dividend to shareholders SEK 2.00 per share ¹⁾	214,380,934
Carried forward	6,658,887,164
Total SEK	7,221,637,116

¹⁾ Shares repurchased by Bonava AB do not confer the right to receive dividends. The total amount of the proposed dividend is calculated on the basis of the number of outstanding shares as of 24 February 2021.

The Board of Directors and the Chief Executive Officer hereby give their assurance that the annual accounts and the consolidated accounts have been prepared in compliance with the international accounting standards referred to in the European Parliament's and Council of Europe's Regulation (EC) No. 1606/2002 dated 19 July 2002 regarding the application of international accounting standards and generally accepted accounting practice, and thus give a true and fair view of the financial position and results of operations of the Group and the Parent Company. The Report of the Board of Directors for the Group and Parent Company provide a fair review of the Group's and the Parent Company's operations, financial position and results of operations and describe the significant risks

and uncertainties facing the Parent Company and the Group. The Board of Directors and the Chief Executive Officer also submit Bonava AB's Sustainability Report for 2020. The Sustainability Report describes the Group's operations from financial, environmental and social aspects. The Report is prepared according to the Global Reporting Initiatives (GRI) Sustainability Reporting Standards. The annual accounts and the consolidated accounts were approved for publication by the Board of Directors on 24 February 2021. The consolidated income statement and balance sheet and the Parent Company's income statement and balance sheet will be presented to the Annual General Meeting for adoption on 31 March 2021.

Stockholm, 10 March 2021

Mikael Norman
Chairman

Viveca Ax:son Johnson
Director

Mats Jönsson
Director

Åsa Hedenberg
Director

Angela Langemar Olsson
Director

Samir Kamal
Director

Frank Roseen
Director

Peter Wallin
CEO

Our Audit Report was submitted on 10 March 2021
Öhrlings PricewaterhouseCoopers AB

Patrik Adolfson
Authorised Public Accountant
Auditor in Charge

Linda Andersson
Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of Bonava AB (publ), corporate identity number 556928-0380

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Bonava AB (publ) for the year 2020. The annual accounts and consolidated accounts of the company are included on pages 50–97 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company and the group as of 31 December 2020 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 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Bonava AB (publ) is a housing development company. Operations comprise the development of suitable land into affordable and sustainable residential neighborhoods in Germany, Sweden, Finland, Denmark, Norway, St. Petersburg, Estonia, Latvia and Lithuania. Bonava develops and sells multi-family housing and single-family housing to consumers and investors, mainly in metropolitan areas.

We have carried out an audit of consolidated operations for the business units in Germany, Sweden and Nordic as well as specific audit procedures related to parts of the St. Petersburg-Baltic business. These operations comprises 97 per cent of Group turnover and constitutes a majority of the Group's total assets. In addition, statutory audits are carried out for all relevant units in the Group. The business was affected by COVID-19, especially during the first outbreak of the pandemic in Europe causing market uncertainties and longer lead times for obtaining permits from governments, depending on the status of the housing projects. Some revenues were realized a bit later than planned and extra focus was assigned to ensuring cash flow. The due to the pandemic still uncertain market situation increases the risk in value assessments. In the audit, special focus has been placed on the impact of COVID-19 on the financial reporting. Key audit matters of the audit are valuation of housing projects and valuation of guarantee commitments, those areas are both affected by the estimates regarding future outcomes included in the forecasts for the Group. Our audit includes the following:

- Review of internal control over financial reporting, routines and processes focusing on key controls for financial reporting and accounting of housing projects;
- Summary review of the financial statements as of 30 September 2020 with the aim of providing a summary audit review opinion;
- Audit of year-end financial statements as of 31 December 2020 focusing on the valuation of properties held for future development and unsold properties, judgments and assumptions relating to ongoing housing construction projects, accrued costs and prepaid expenses as well as guarantee provisions; and
- Final audit measures required for the presentation of this audit report of the annual report in the parent company and Group and where applicable, other legal entities. In this context, we have also carried out a review of our opinion on compliance with guidelines for senior executives, corporate governance of the parent company and sustainability reporting.

The review has been carried out by an audit team that is part of the PwC network. The work complies with local Auditing standards in the relevant countries and specific instructions relating to the consolidated accounts. With regard to the operations in St. Petersburg, the audit team working on the consolidated accounts carried out the Group review, while the statutory audit was carried out by a local auditing firm. In addition, team members from the audit core team performed digital visits to operations in St. Petersburg and Germany to acquire an understanding of operations in these units as well as routines and controls focusing on evaluating internal control and presenting a summary review of financial reporting on the basis of the Group's accounting principles. For other units in the Group that are not subject to statutory audit requirements, we have carried out other analytical audit measures as part of the review of the consolidated accounts.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

KEY AUDIT MATTERS

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of housing projects</p> <p><i>Housing projects are described in the Annual Report in Note 14 and Note 1 Significant accounting policies under Critical estimates and judgments.</i></p> <p>AS of 31 December 2020, housing projects totaled SEK 19 489 M, comprising 85 per cent of Group assets as of 31 December 2020.</p> <p>Housing projects consist of ongoing housing projects (SEK 10 786 M), completed housing units (SEK 1 706 M) and properties held for future development (SEK 6 998 M).</p> <p>Housing projects are recognized in full at the lower of acquisition value and net realizable value. The assessment of net realizable value is by its nature associated with a degree of assumption, and changes in these assumptions can have a material impact on reported values. For completed housing units, the possibility to compensate by making cost savings no longer exists. Assumptions and judgments for completed housing units thus have a larger affect on the valuation on completed housing units. A cautious market and longer planning-, permit- and project processes may also affect the valuation of properties held for future development as those are valued from a final result of the project perspective. Assumptions and judgments affect all items mentioned but have the largest impact on the valuation of properties held for future development. In order for the accounting of these items to be representative, related cost reserves and provisions attributable to housing projects or completed housing projects are also of material significance.</p> <p>As housing projects comprise the most significant item in Bonava's accounts, the review of Bonava's valuation of this item, which is in part based on assumptions, constitutes a key audit matter.</p>	<p>Our audit is based on evaluating internal control and substantive testing as well as other analytical measures, including data-based transaction analysis of certain Balance Sheet and Income Statement items on a sample basis in housing projects of significant subsidiaries. To ensure the accuracy of the valuation in particular we have also carried out the following audit measures:</p> <ul style="list-style-type: none"> • Evaluated the management process for project reporting, including review of relevant parts of Bonava's operating system with the aim of determine the expediency of its processes and controls. • Reviewed key controls on a sample basis to ensure that relevant control processes have been carried out and documented in accordance with the stipulations of the operating system and to ensure that projects have been reported correctly. • Carried out an analytical review of a selection of projects where divergences have been identified between actual and forecast outcomes to create an understanding of the relevant causes. Analyzed trends over time to identify and, where applicable, understand the causes of trend breaks. • Reviewed project calculations and evaluated the reasonableness of project margins. With the support of PwC's valuation experts, we reviewed the reasonableness of assumptions such as sales prices, production costs, rent levels and yield requirements for the valuation of properties held for future development and, where necessary, other parts of housing projects. • On a sample basis, tested, evaluated and challenged the information used in the calculations of Bonava's hourly rates paid to staff and other reported costs associated with housing projects. • Evaluated Bonava's projects that necessitate specific judgments. Tested and evaluated Bonava's judgments on the basis of our own experience and Bonava's supporting documentation, and through discussions with Bonava's executives. • Carried out in-depth reviews of a selection of projects by following these through the full term of the project. Reviewed relevant control processes as projects progress, carried out in-depth forecast reviews. • Reviewed that requisite provisions and other reserves attributable to housing projects have been appropriately reported on the basis of supporting documentation and other assessments. • Assessed that the information contained in the annual report is correct on the basis of applicable disclosure requirements. <p>Apart from stating that the valuation of housing projects is associated with inherent uncertainty because reporting is partly based on assumptions that are subject to change, our review has not resulted in the reporting of any material observations to the Audit Committee. It can be noted that the inherent uncertainty in the valuation has increased as compared to last year based on the market situation related to the COVID-19 pandemic.</p>
<p>Guarantee commitments</p> <p><i>Guarantee commitments are described in the Annual Report in Note 17 Provisions and Note 1 Significant accounting policies under Critical estimates and judgments.</i></p> <p>Provisions for guarantee commitments totaled SEK 474 M as of 31 December 2020.</p> <p>Provisions for future guarantee commitments have been reported at the amount judged to be required to settle the commitments on the Balance Sheet date. The estimate is based on calculations, management's judgment and experience of previously completed housing projects. This means that reporting is mainly based on management's judgments and is thereby associated with a degree of uncertainty attributable to these judgments.</p> <p>On the basis of the materiality of the item, and the fact that reporting is based on judgments, the review of the valuation of guarantee provisions constitute a key audit matter.</p>	<p>Our audit of guarantee commitments included the following review measures:</p> <ul style="list-style-type: none"> • Evaluated routines relating to provisions of guarantee commitments in our audit, including by evaluating the methods used. • Analysed reported provisions and guarantee expenses in the year and previous years and discussed effects that could affect guarantee provisions with management. • On a sample basis, reviewed calculations and assumptions against supporting documentation and judgments on the basis of historical outcomes and other sources. • Judged that the information provided in the annual report is correct. <p>On the basis of our audit, we assess that the assumptions that forms the basis for the guarantee commitments reported are within a reasonable range. However, we have noted that the scale of future guarantee costs for current and previous housing projects are dependent on future outcomes and are thereby associated with inherent uncertainty, and as such may come to deviate from the guarantee provisions made.</p>

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 2–11 and pages 113–119. Other information also comprises the report Annual overview 2020 and "Report on remuneration 2020", both published on the Bonava webpage at the same time as the release of this report. 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 other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the Managing Director of Bonava AB (publ) for the year 2020 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 admin-

istration report and that the members of the Board of Director's and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Öhrlings PricewaterhouseCoopers AB, Torsgatan 21, 113 97 Stockholm, was appointed auditor of Bonava AB (publ) by the general meeting of the shareholders on the 31 March 2020 and has been the company's auditor since the 25 April 2018.

Stockholm, 10 March 2021

Öhrlings PricewaterhouseCoopers AB

Patrik Adolfson
Authorised Public Accountant
Auditor in Charge

Linda Andersson
Authorised Public Accountant

Corporate Governance Report



Corporate Governance Report

Bonava is a Swedish public limited company that was listed on Nasdaq Stockholm in 2016. Bonava's corporate governance is based on Swedish law, the Articles of Association, Nasdaq Stockholm's Rules for Issuers and regulations and recommendations issued by relevant organisations. In the countries where Bonava conducts operations, the company complies with local legislation and other regulations. Bonava also complies with accepted securities market practice, which includes the application of the Swedish Corporate Governance Code, "the Code".

Bonava has not departed from the Code. There have been no instances of non-compliance with Nasdaq Stockholm's Rules for Issuers or accepted securities market practice. This Corporate Governance Report has been prepared by the Board of Directors and is presented in compliance with the Annual Accounts Act and the Code, presenting Bonava's Corporate Governance in 2020.

GENERAL MEETING

Notices convening General Meetings are made available on the company's website and through announcements in the Swedish Official Gazette (Post- och Inrikes Tidningar). Confirmation that the notice has been issued is published simultaneously in the Swedish daily newspaper Dagens Nyheter.

GENERAL MEETINGS IN 2020

The Annual General Meeting (AGM) on 31 March 2020 was the only General Meeting held during the year. In addition to electing the Board of Directors and other customary matters, the AGM authorised a new share-based incentive programme for the Executive Management Group and certain key executives and to not distribute any portion of profit for the year to shareholders due to the considerable uncertainty prevailing as a result of the effects of COVID-19. The Board of Directors initially proposed a dividend for 2019 of SEK 3.00 per share. The format of the 2020 AGM was somewhat simplified due to the applicable COVID-19 restrictions.

2021 ANNUAL GENERAL MEETING

Bonava's Annual General Meeting for 2021 will be held on 31 March 2021 in Stockholm, Sweden. Shareholders are entitled to raise matters at the AGM subject to submitting a written request no later than 10 February 2021. This information was published on the company's website in connection with the interim report for the third quarter of 2020. Such requests should be addressed to the Board of Directors. Bonava seeks to ensure that the Board of Directors, management team, Nomination Committee and auditor are present at General Meetings. For more information about the AGM, see page 117 or Bonava's website, bonava.com.

SHARES AND SHAREHOLDERS

Bonava's share was listed on Nasdaq Stockholm in 2016. At year-end, the number of shares in the company was 108,435,822. On the same date, the share capital totalled SEK 434 M with a quotient value per share of SEK 4.00.

At year-end, Bonava had 30,158 shareholders. The company's five largest shareholders at year-end were Nordstjernan AB, Swedbank Robur fonder, Lannebo fonder, Didner & Gerge fonder and the Fourth Swedish National Pension Fund (Fjärde AP-fonden). Read more about Bonava's shares and shareholders on pages 115–116.

ARTICLES OF ASSOCIATION

Bonava's Articles of Association were adopted by the 2020 AGM and are available in full at bonava.com. The Articles of Association stipulate that the company, directly or through subsidiaries, develops and invests in residential properties and engages in real estate trading operations, and conducts other operations related to the above. The company also undertakes certain Group-wide activities, such as the provision of employee services. The registered office is

in Stockholm, Sweden. The company is prohibited from making any decisions that contravene the Articles of Association without first referring such matters to the General Meeting for a decision and potentially amending the Articles of Association.

The Articles of Association do not contain any special stipulations regarding the appointment and discharge of Board members or amendments to the Articles of Association.

NOMINATION COMMITTEE

Bonava's 2020 AGM appointed the following Nomination Committee ahead of the 2021 AGM: Peter Hofvenstam, Nordstjernan AB; Tomas Risbecker, AMF Försäkring och Fonder; and Lennart Francke, Swedbank Robur Fonder, as well as the Chairman of the Board as a co-opted member. Peter Hofvenstam was elected Chairman of the Nomination Committee. Following AMF's divestment of its holding in Bonava, Tomas Risbecker stepped down from the Nomination Committee, which appointed Mats Gustafsson from Lannebo Fonder as a new member of the Nomination Committee in July 2020.

THE WORK OF THE NOMINATION COMMITTEE

According to the instructions, the Nomination Committee's task is to propose to the AGM the number of Board members and the composition of the Board, including the Chairman as well as proposals relating to remuneration to the Board, including any special fees for committee work. The Nomination Committee also proposes the Chairman of the AGM and, where applicable, the company's auditors and their remuneration. Where required, the Nomination Committee also proposes any changes to the applicable instructions for the Nomination Committee.

Ahead of the 2021 AGM, the Nomination Committee held seven recorded meetings, and also communicated by phone and e-mail. The Chairman of the Board of Directors reported to the Nomination Committee on the Board's work during the year, and also discussed the self-evaluation completed by the Board of Directors. In addition, the Nomination Committee also consulted individually directly with all Board members concerning the work and composition of the Board. The Nomination Committee noted that the Board of Directors is generally functioning properly, and that in terms of gender distribution and diversity in general has a satisfactory composition which meets the requirements under the company's diversity policy. The Nomination Committee has subsequently evaluated the company's needs and reviewed the desired Board composition in relation to the current Board members' experience and expertise. The Nomination Committee also evaluated Board fees and addressed the matter of remuneration for committee work. The Nomination Committee's complete proposals are presented in the notice convening the AGM. All decisions taken by the Nomination Committee were unanimous.

DIVERSITY POLICY

Bonava's diversity policy stipulates that, with regard to the needs of the company's operations, stage of development and other conditions, the Board shall have a suitable composition characterised by diversity and breadth with regard to the members appointed by the AGM in terms of skill, experience and background, and that an even gender distribution shall be pursued. The objective of the diversity policy is to meet the requirement for satisfactory diversity in the Board in terms of gender, age and nationality as well as experience, professional background and other qualities. For more information about Bonava's diversity initiatives, refer to pages 30–35.

NOMINATION COMMITTEE PROPOSALS

Shareholders have been invited to submit their proposals and views to the Nomination Committee. Shareholders wishing to present a proposal to the Nomination Committee should do so via

ir@bonava.com. No special remuneration was paid to the Chairman, or any other member of the Nomination Committee.

The Nomination Committee's proposals for Board members, Board fees and auditors are published in the notice convening the AGM and at bonava.com.

BOARD OF DIRECTORS

According to the Articles of Association, Bonava's Board of Directors shall have a minimum of three and a maximum of eight members. The AGM on 31 March 2020 resolved to re-elect Viveca Ax:son Johnson, Åsa Hedenberg, Samir Kamal, Mikael Norman and Frank Roseen as Board members, and to elect Angela Langemar Olsson and Mats Jönsson as new Board members. The AGM resolved to re-elect Mikael Norman as Chairman of the Board. Meanwhile, Carl Engström and Anna Wallenberg stepped down from the Board. For information on Board members, their assignments outside the Group and their shareholdings in Bonava, see the "Board of Directors" section. The Board of Directors also adopts the Rules of Procedure for the Board and instructions for the CEO. The Board of Directors has also decided on a number of general policies, guidelines and instructions relating to the company's operations, see page 106. These internal policy documents are reviewed at least once a year and are also updated continuously to comply with legislation as and when required.

THE BOARD OF DIRECTORS AND NON-AFFILIATION

Bonava's Board of Directors was deemed to satisfy the Code's requirements of non-affiliation as all seven of the members elected by the AGM are not affiliated with the company and the Executive Management Group.

All Board members, with the exception of Angela Langemar Olsson and Viveca Ax:son Johnson, are deemed to satisfy the requirement for non-affiliation with regard to major shareholders (in both cases this relates to Nordstjernan AB).

CHAIRMAN

The Chairman of the Board is elected by Bonava's AGM and leads the work of the Board. At the AGM on 31 March 2020, Mikael Norman was re-elected as the Chairman of the Board.

THE BOARD IN 2020

In 2020, the Board held 18 meetings, including the inaugural meeting following election and three meetings per capsulam. The relatively large number of meetings was mainly a consequence of COVID-19 and the management of this, and the matter of appointing a new CEO. The agenda for every regular Board meeting includes a number of standing items: the CEO's summary of operations, divestments and investments, financial reporting, a summary of major exposures and reports on any potential health and safety and Code of Conduct incidents.

In 2020, the Board primarily focused on the consequences of and the necessary adaptations resulting from COVID-19 and also discussed and decided on adjustments to Bonava's strategy, the status of the company's various markets, and a number of major land and project sales and investments. In 29 September 2020, the Board decided to dismiss CEO Joachim Hallengren and on 25 November 2020 to offer Peter Wallin the position of new CEO of the company. The Board also followed up the restructuring package concerning the operation in Finland that was decided at year-end 2019, established a new overall target for its sustainability agenda and decided to increase the assets available for sustainable funding. The company's sustainability agenda is otherwise unchanged.

COMMITTEES

The Board currently has two committees: the Audit Committee and the Remuneration Committee. In 2020, the Remuneration Committee's assignments were carried out by Bonava's Board of Directors, while a dedicated Audit Committee operated separately. The committees' assignments are regulated more closely in the annually revised committee instructions.

AUDIT COMMITTEE

The Audit Committee works according to an agenda which is set annually. Its tasks include monitoring the company's financial reporting and the efficiency of the company's internal control and risk management. During the first months of 2020, the Audit Committee consisted of Board members Carl Engström (who also served as Chairman), Åsa Hedenberg and Mikael Norman, none of whom is employed by the company. As of April 2020, Carl Engström was replaced by Angela Langemar Olsson as Chairman of the Committee. Angela Langemar Olsson is not employed by the company.

In 2020, the Audit Committee held six meetings. Bonava's auditor was present at five of these meetings. The meetings addressed matters such as the impact of COVID-19 on the company's finances, the company's interim reports, the focus of the external audit and the company's internal control of its financial reporting.

REMUNERATION COMMITTEE

The tasks of the Remuneration Committee include addressing matters relating to the principles governing remuneration to the CEO and senior executives, as well as individual remuneration to the CEO in accordance with the remuneration principles. These principles include the relationship between fixed and variable remuneration, and the correlation between performance and remuneration, mainly the terms applying to potential bonuses and incentive programmes, and the primary terms of non-monetary benefits, pension, termination of employment and severance pay.

Nomination Committee ahead of 2021 AGM

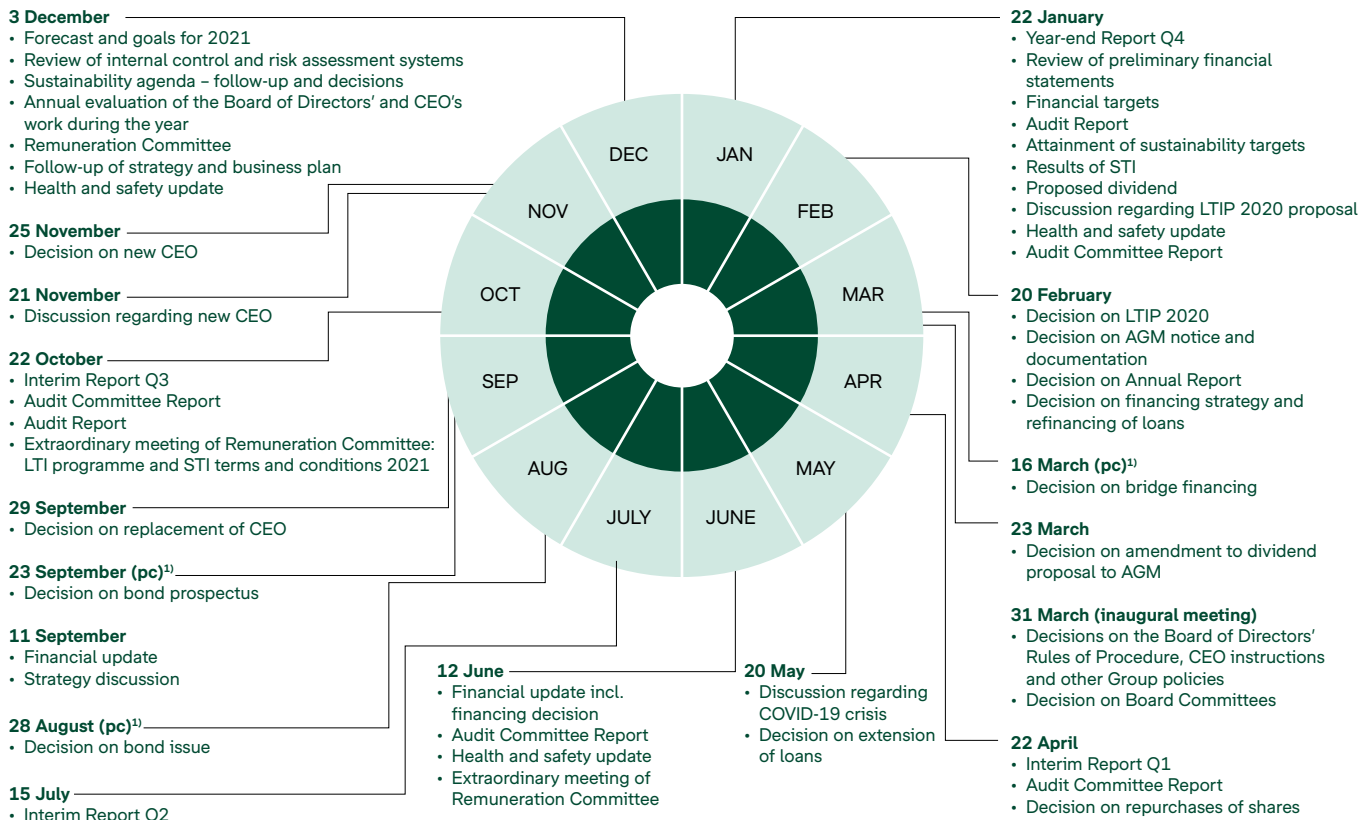
Board members ¹⁾	Appointed by	Non-affiliated ²⁾
Peter Hofvenstam, Chairman of the Nomination Committee	Nordstjernan AB	Yes/No
Mats Gustafsson ³⁾	Lannebo Fonder	Yes/Yes
Lennart Francke	Swedbank Robur Fonder	Yes/Yes

¹⁾ And Chairman of the Board, as a co-opted Board member.

²⁾ Non-affiliated to the company and management/the largest shareholder in terms of votes.

³⁾ Appointed in July 2020 as new member after Tomas Risbecker (AMF), who stepped down from the Nomination Committee.

Board meetings 2020



¹⁾ Meetings per capsulam (pc).

The whole Board determines the CEO's remuneration and other employment terms. Share-based incentive programmes for the Executive Management Group and other senior executives are decided by the AGM.

The Remuneration Committee held four meetings (Board meetings) in 2020, one regular meeting and three extraordinary meetings. The members were present at all meetings. The meetings addressed matters such as variable and other remuneration to senior executives in 2021, guidelines for such remuneration, the proposed remuneration report for the company regarding 2020 and the proposed basis for a share-based incentive programme for the Executive Management Group and certain key executives for resolution in 2021.

REMUNERATION

The AGM on 31 March 2020 resolved to pay, in accordance with the amended proposal from the Nomination Committee on 30 March 2020, in the period until the next AGM is held and in conformance with preceding year, annual fees of SEK 700,000 to the Chairman and SEK 300,000 to each of the other Board members, none of whom are employed by the company. Additionally, the AGM resolved to pay for work on the Audit Committee, in the period until the next AGM is held, annual fees of SEK 150,000 to the Chairman and SEK 75,000 to each of the other committee members, none of whom are employed by the company. No special remuneration was paid for any other committee work.

EVALUATING THE BOARD OF DIRECTORS AND THE CEO

In accordance with the Board of Directors' Rules of Procedure, the Chairman of the Board evaluates the Board's work annually. The evaluation for 2020 took the form of Board member Samir Kamal, on instruction from the Chairman, interviewing each Board member with the aid of an online tool and subsequently compiling the results of these interviews. The purpose of the evaluation was to gather information about the views of Board members on the Board's work and what measures can be implemented to improve its efficiency.

The intention was also to get an idea of the issues the Board of Directors considers should be given more prominence, and in which areas the Board may be in need of additional experience and competence. The results of the evaluation were presented to the Board of Directors, and the Chairman shared the results with the Nomination Committee. In brief, the Board was of the opinion that additional competence as regards project development would be valuable, and that the Board generally works well but that there should be additional focus on concrete measures for achieving the company's vision and strategic goals and improving the company's long-term profitability.

THE CEO AND SENIOR EXECUTIVES

The division of responsibilities between the CEO and the Board of Directors is defined in the Board's Rules of Procedure, and the instructions to the CEO are prepared by the Board of Directors.

Remuneration and attendance at Board meetings 2020

Members appointed by General Meeting	Elected year	Board of Directors	Audit Committee	Remuneration Committee ¹⁾	Non-affiliated, shareholders	Non-affiliated, company and management	Total annual fees, SEK
Total number of meetings		18	6	4			
Chairman Mikael Norman	2017	18	6	4	Yes	Yes	775,000
Viveca Ax:son Johnson	2015	18		4	No	Yes	300,000
Åsa Hedenberg	2015	18	6	4	Yes	Yes	375,000
Samir Kamal	2015	18		4	Yes	Yes	300,000
Frank Roseen	2018	18		4	Yes	Yes	300,000
Mats Jönsson	2020	14		3	Yes	Yes	225,000
Angela Langemar Olsson	2020	14	5	3	No	Yes	337,500
Carl Engström	2015	4	1	1	No	Yes	112,500
Anna Wallenberg	2015	4		1	Yes	Yes	75,000

¹⁾ In 2020, the Remuneration Committee's tasks were carried out by the Board of Directors in its entirety.

The CEO serves as the head of the Executive Management Group and makes decisions in consultation with other members of Executive Management. The Executive Management Group comprises the CEO, CFO, and heads of the Germany, Sweden, Norway-Denmark, Finland and St Petersburg-Baltics business units. It also includes the heads of the Human Resources, Operations, and Marketing, Sales and Communication Group functions.

The Executive Management Group meets regularly and supplementary meetings are held as and when required. During 2020, the Executive Management Group held 13 meetings, of which three were extraordinary meetings.

GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES

In this context, senior executives are defined as the CEO and other members of the Executive Management Group. For more information on remuneration to senior executives, refer to Note 4. In accordance with the guidelines adopted by the AGM on 31 March 2020, Bonava offers remuneration on market terms that enable the company to recruit and retain individuals with the highest possible competence levels. The total remuneration package supports the company's long-term strategy. Remuneration to management comprises fixed salary, short-term variable cash-based remuneration, long-term variable share-based remuneration, pensions and other benefits. When determining fixed salaries, individual employees' area of responsibility, experience and achieved results are considered. Fixed salaries are reviewed either annually or biannually. All variable remuneration is related to a maximised fixed salary, and rewards the fulfilment of pre-determined targets, primarily of a financial nature. All variable remuneration at Bonava is designed to motivate and reward value-creating activities that support the company's long-term operational and financial objectives.

With regard to pension, Bonava offers defined-contribution solutions, which means that Bonava pays premiums comprising a specific portion of the employee's salary. The Board of Directors is entitled to depart from the above guidelines for remuneration to senior executives if there are special reasons in an individual case.

SHARE-BASED INCENTIVE PROGRAMMES

During the year, Bonava had four share-based incentive programmes, each of which covers approximately 50 key executives.

The AGM on 31 March 2020 resolved in line with the Board of Directors' proposal to introduce a share-based incentive programme for the Executive Management Group and certain key

executives. As with the previous programmes, participation in the programme requires an independent shareholding in Bonava. The aim of the long-term incentive programmes is to align the interests of the shareholders and those of the Executive Management Group and certain key executives in order to ensure maximum long-term value creation.

The AGM also resolved to authorise the Board of Directors to repurchase Class B shares to ensure the implementation of the incentive programme. On 22 April 2020, the Board decided to exercise this mandate, following which the company repurchased Class B shares at a total cost of SEK 18,520,614. The Board of Directors intends to propose that Bonava's future AGMs introduce long-term incentive programmes based on similar principles to the programme implemented in 2020. The share-based incentive programme adopted at the AGM in 2017 was concluded in 2020. Under the terms of the programme, at least the minimum level for each of the adopted performance targets had to be achieved in order to allocate share rights relating to the relevant performance target to the participants at the conclusion of the programme. Since the minimum level was not achieved for any of the adopted performance targets, the outcome was thus zero for the 2017 programme and no share rights were allocated to the participants.

Audit fees in 2020	SEK M
Audit fees to PwC	9
Fees to other auditors	1
Fees for audit-related consulting services	0
Fees for tax consulting services	0
Other fees	0

Share-based long-term incentive programme	LTIP 2020	LTIP 2019	LTIP 2018
No. of employees invited to participate	52	50	50
No. of employees opting to participate	35	39	41

AUDITOR

The company's financial accounts and accounting, as well as the management by the Executive Management Group and the Board of Directors, are reviewed and audited by the company's auditor. At the AGM on 31 March 2020, the registered audit firm Öhrlings PricewaterhouseCoopers AB (PwC) was elected auditor for the period until the AGM in 2020. The election took place on the Nomination Committee's proposal which concurred with the Audit Committee's recommendation. Authorised Public Accountant Patrik Adolfson has been appointed Auditor in Charge.

The auditor is to report any material accounting errors and suspected irregularities to the Audit Committee. At least once a year, usually in connection with the closing of the financial statements, the auditor is to report any observations from the audit and its assessment of the company's internal control to the Board of Directors. The auditor also participates at the AGM to present its Audit Report and outline the audit work carried out and observations made. Bonava's Sustainability Report was audited and complies with the statutory requirements on sustainability reporting and the Global Reporting Initiative standards according to PwC.

THE BOARD OF DIRECTORS' REPORT ON INTERNAL CONTROL

INTERNAL CONTROL OF FINANCIAL REPORTING AND RISK MANAGEMENT

Bonava's internal control regarding financial reporting is designed to manage risk and ensure a high degree of reliability in the processes surrounding the preparation of the financial statements, and to ensure compliance with applicable accounting standards and other requirements placed on Bonava as a listed company. Bonava complies with the Committee of Sponsoring Organisations of the Treadway Commission's ("COSO") framework for evaluating a company's internal control over its financial reporting, "Internal Control—Integrated Framework." The Framework includes the following five components: control environment, risk assessment, control activities, information and communication, and follow-up. The process has been designed to ensure appropriate risk management, including reliable financial reporting in accordance with IFRS, applicable legislation and regulations as well as other stipulations with which companies listed on Nasdaq Stockholm are required to comply. This work involves the Board of Directors, the Executive Management Group and other employees.

PROCESS FOR RISK ASSESSMENT AND INTERNAL CONTROL

Bonava has a central Risk Committee and an annual process for systematic risk assessment and internal control for financial and non-financial risks. The Risk Committee comprises the company's CFO, General Counsel, Group Head of Financial Control, Group Head of Sustainability and the Group Head of Risk and Compliance. This process was developed further in 2020. At the beginning of the year, all of the relevant special functions defined the key internal controls for a number of different areas, with a special focus on the main risks for the company in accordance with the risk assessment process carried out in the preceding year. Subsequently, in the spring and summer, each respective Bonava business unit and Group function evaluated its internal control on the basis of the controls defined above. This self-evaluation was then discussed and analysed in more detail in an interactive process that included the Risk Committee. The results of this effort were subsequently shared with the company's auditors and discussed by the Risk Committee, and in follow-up meetings with the business units, the Committee compiled Bonava's annual report on risk management and compliance based on the process described above. This report was approved by the CEO and the Audit Committee, adopted by the Board of Directors and delivered to the Executive Management Group. During the autumn, the

Executive Management Group and Risk Committee carried out the company's annual risk assessment which, among other uses, forms the basis for the risk section of the Annual Report and next year's internal control process.

CONTROL ENVIRONMENT

The division and delegation of responsibilities has been documented and communicated in company policies that govern the Board of Directors and the company. The Board of Directors reviews and approves the following policies annually:

- The Board of Directors' Rules of Procedure
- Instructions to the CEO
- Decision order
- Finance policy
- Code of Conduct
- Corporate governance policy
- Insider policy
- Communication policy
- IT policy
- Sustainability policy
- Health and safety policy
- HR policy
- Procurement policy
- Information security policy

All policies are decided by the Board of Directors. In addition to these policies, Bonava also has other kinds of binding policy documents including a number of Group procedures determined by the CEO. All internal policy documents are updated regularly in connection with changes to legislation, accounting standards or listing requirements, and as and when necessary. All the Group's policies and other policy documents are available to all employees on the company's intranet. The Board of Directors monitors and ensures the quality of the company's internal control in accordance with the Board's Rules of Procedure and instructions to the Audit Committee. The Board of Directors has also adopted a number of fundamental guidelines that govern risk management efforts and internal control activities. These guidelines include risk assessment, demands for control activities to manage the most material risks, in accordance with the aforementioned risk assessment and internal control process, and reporting. Bonava's control environment is comprised of responsibilities, authorisations and policy documents as well as laws and regulations. Within company management, relevant named document owners have primary responsibility for ensuring compliance with the relevant policy documents. In addition, the company considers that all employees have a responsibility to ensure compliance with all governing regulations and processes. The company makes it possible for employees to assume this responsibility by means of various information and training initiatives.

RISK ASSESSMENT

In accordance with the Board's Rules of Procedure, the Board of Directors and the Audit Committee review the company's internal control annually. This review is based on the new risk assessment and internal control process described above. The Group's overarching risk analysis primarily encompasses risks in the following areas:

- Bonava's operating environment
- Strategic
- Operational
- Health and safety
- Climate and environment
- Customer-related
- Financial
- Legal

The risks identified in each area are evaluated on the basis of their estimated probability and impact. The outcome of the risk analysis is part of the aforementioned risk assessment and internal control process and is included in the annual risk and compliance report. For more information about the Group's risks and risk management, see pages 55–58 and Note 23.

CONTROL ACTIVITIES

Bonava's risk management is based on a number of control activities being carried out at different levels throughout the business operations and within various functions. The control activities are intended to ensure that Bonava's processes are efficient and that the risks identified are managed efficiently. For the business operations, ERP systems form the basis of the control structure, focusing on key stages of the business operations such as investment decisions, production start and sales. Bonava places considerable emphasis on monitoring its projects. It has established functions such as Human Resources Operations, which manages payroll administration for the Nordic countries, and a Treasury function that controls financial risks in various respects. In addition, there is the IT function that bears central responsibility for the most essential IT systems at Bonava. All these functions stipulate that processes must include control activities that manage identified risks efficiently.

Other control activities in addition to the risk assessment and internal control process described above primarily include: quarterly Board meetings in each business unit. Central elements in these meetings include reporting and discussion of financial forecasts and outcomes, the structured risk assessment of the business units, etc. Bonava has also implemented a comprehensive compliance programme ("Our Foundation"). The programme aims to minimise risk relating to regulatory compliance and business ethics, and includes written guidelines on anti-corruption and competition legislation, central and local advisers on these issues, compulsory training in business ethics and a whistle-blower function. For more information, see page 57.

INFORMATION AND COMMUNICATION

Bonava has established an organisation to ensure correct and efficient financial and non-financial reporting. The internal policy documents specify the division of responsibilities, and daily interaction between the individuals concerned means that relevant information and communication reaches all the relevant parties. Guidelines, instructions and manuals of significance to financial reporting are communicated to the relevant employees through Bonava's intranet. Instructions for non-financial reporting were developed during the year, and the organisation has been trained in correct and efficient reporting by internal change leaders.

The Board of Directors regularly receives financial reports regarding Bonava's financial position and earnings performance. The Executive Management Group receives weekly and monthly financial information about the progress of Bonava's sales, profit, reviews and follow-up of ongoing and future investments, and liquidity planning.

The company's communication policy ensures that all external and internal information is accurate and is presented in a timely manner. Bonava's employees are invited to participate, directly or indirectly, in the preparation of internal policies and guidelines, and have thus been part of preparing these internal policy documents.

FOLLOW-UP AND IMPROVEMENTS

Follow-up continuously takes place at all levels of Bonava. The Board of Directors regularly evaluates the information provided by management and the auditors. The company's auditor also reports observations based on his review, as well as an assessment of internal control, directly to the Board of Directors and to the Audit Committee.

The Board assesses the information provided by the Executive Management Group on a continual basis. Bonava's financial position, investments and ongoing operations are discussed at each Board meeting. The Board is also responsible for monitoring and improving internal control, and ensuring that measures are taken to address any weaknesses or proposals that emerge. This work includes ensuring that measures are taken to handle any shortcomings, as well as following up on suggested measures arising from the external audit. The main basis for this Board monitoring consists of the previously described risk assessment and internal control process.

EVALUATION OF THE NEED FOR A DEDICATED INTERNAL AUDIT FUNCTION

Bonava does not currently have an internal audit function, apart from the established Risk Committee whose operations have some characteristics of an internal audit. The Board of Directors has reviewed the matter and considers the existing structures for follow-up and evaluation to be satisfactory. In conclusion, this means that it is currently not justified to establish an internal audit function. The matter is reviewed annually.

SUSTAINABILITY

The Board of Directors has determined Bonava's sustainability agenda and overarching Group sustainability targets, and presents the Sustainability Report. The Sustainability Report forms part of Bonava's Annual Report and has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option. The Sustainability Report has been assured by PwC, the auditor for sustainability reporting. The period of the report is the full year 2020 and the reporting cycle is annual. Read more about Bonava's sustainability agenda and reporting on pages 13–47, which constitute the statutory Sustainability Report.

SUSTAINABILITY ORGANISATION

The Board bears the ultimate responsibility for Bonava's sustainability agenda and its ongoing sustainability efforts. Bonava's CEO delegates operational responsibility to Bonava's Head of Sustainability, who reports to the company's SVP Operations in the Executive Management Group and coordinates the sustainability efforts with other Heads of Operations.

The Head of Sustainability leads two committees in the Group: a steering committee for the sustainability agenda and a council for preparing supporting documentation for the management team, strategic boards and the steering committee, and implementing decisions. In addition to the Head of Sustainability, the steering committee includes Bonava's CEO, CFO, General Counsel, Head of HR, SVP Operations and Head of Marketing and Sales. The Sustainability Council includes representatives from each business unit. The Head of Sustainability is also included in Bonava's Risk Committee and convenes, on a quarterly basis, Bonava's Sustainable Financing Committee, which otherwise comprises the Head of Strategy and the Head of Treasury.

In addition, Bonava has a Head of Health and Safety who has overarching responsibility for developing Group-wide processes and driving the development process for sustainability relating to health and safety. The Head of Health and Safety leads Bonava's Council for Health and Safety with the aim of preparing supporting documentation for the management team and strategic boards, and implementing decisions. The Council for Health and Safety includes representatives from each business unit. Bonava has a Head of Risk and Compliance, who is responsible for developing Bonava's procedures for deliberate and proactive work on risk and compliance management and leads Bonava's Risk Committee.

The primary development work is carried out as part of the most relevant strategic initiatives of the respective sustainability aspects with support from Bonava's deliberative councils.

Board of Directors



MIKAEL NORMAN

Board member since 2017, Chairman since 2019

Born in 1958

Education: Master of Laws (LL.M.), Stockholm University.

Previous experience: CFO of Nobia, Group Controller at Electrolux, tax lawyer at PricewaterhouseCoopers and judge in the Stockholm County Court and Administrative Court of Appeal.

Other current assignments: Chairman of Cloetta.

Holdings in Bonava (incl. related parties): 20,000 Class B shares and 80,000 warrants.



VIVECA AX:SON JOHNSON

Board member since 2015

Born in 1963

Education: Social science secondary education.

Other current assignments: Chairman of Nordstjernan and the Axel and Margaret Ax:son Johnson Foundation for Public Benefit. Board member of NCC, Lideta, Rosti Group, the Axel and Margaret Ax:son Johnson Foundation and FPG Media.

Holdings in Bonava (incl. related parties): 25,000 Class A shares and 123,000 Class B shares.



ÅSA HEDENBERG

Board member since 2015

Born in 1961

Education: M.Sc. (Eng.), KTH Royal Institute of Technology in Stockholm.

Current role: CEO of Specialfastigheter Sverige AB.

Previous experience: CEO of Huga Fastigheter, CEO of Uppsalahem, Market Area Manager of Stockholm Kommersiellt Innerstad AP Fastigheter.

Other current assignments: Board member of Envac AB. Member of the Council, Stockholm Chamber of Commerce.

Holdings in Bonava (incl. related parties): 9,710 Class B shares.



MATS JÖNSSON

Board member since 2020

Born in 1957

Education: M.Sc. (Eng.), KTH Royal Institute of Technology in Stockholm.

Previous experience: President and CEO of Coor Service Management (2004–2013), Business Unit Director at Skanska Services (2000–2004) and Division Head at Skanska Sverige (1998–2000).

Other current assignments: Chairman of the Board of the Tengbom Group and Lekolar, and Board member of NCC, Assemblin and Coor Service Management.

Holdings in Bonava (incl. related parties): 10,000 Class B shares.

**SAMIR KAMAL**

Board member since 2015

Born in 1965

Education: M.Sc. (Econ.), Stockholm School of Economics. B.Sc. (Eng.), Imperial College London.

Current role: Senior Director at Novo Holdings A/S.

Previous experience: Partner of EQT Partners, Partner of IK Investment Partners, Project Manager at Carnegie Investment Bank and Analyst at SEB.

Other current assignments: Partner at Trill Impact Advisory, Board member at Nordomatic and Rimas Holding

Holdings in Bonava (incl. related parties): 18,040 Class B shares.

**ANGELA LANGEMAR OLSSON**

Board member since 2020

Born in 1970

Education: M.Sc. (Econ.), Stockholm School of Economics.

Current role: Investment Director at Nordstjernan.

Previous experience: CFO at Nordstjernan (2000–2015), Group Business Controller at Hufvudstaden (1997–2000) and Assistant Business Controller at Swedish Match (1996–1997).

Other current assignments: Board member of NCC and Chairman of the Board of Sunparadise Group.

Holdings in Bonava (incl. related parties): 0

**FRANK ROSEEN**

Board member since 2018

Born in 1962

Education: M.Sc., MBA, Business Administration, Stockholm University

Current role: Board member of Aroundtown Commercial Properties and Chairman of the Board of Star Real Estate Ventures LLC.

Previous experience: CIO/CFO of WCM AG in Germany (2015–2016), CEO of GE Capital Real Estate in Germany and Central/Eastern Europe (2012–2015), and a number of management positions within GE Capital Real Estate in the Nordics, Europe and Asia (2002–2012).

Other current assignments: Chairman of the Board of TLG Immobilien AG, Deputy Chairman of the Board of Premia Properties Greece SA and Board member of Stenhus Fastigheter i Norden and Aroundtown SA.

Holdings in Bonava (incl. related parties): 1,500 Class B shares.

*Auditor***PATRIK ADOLFSON**

PwC (Öhrlings PricewaterhouseCoopers AB)

Auditor in Charge since 2018

Born in 1973

Other significant assignments: Other audit assignments include AcadeMedia AB (publ), Attendo AB (publ), Nordstjernan AB, Securitas AB (publ) and Pandox AB (publ).

Member of FAR.

PROPOSED CHANGES AHEAD OF 2021 AGM:

The Nomination Committee proposes Mats Jönsson for election as the new Chairman of the Board of Bonava AB at the 2021 AGM given that Mikael Norman has declined re-election. The Nomination Committee also proposes the election of Per-Ingemar Persson as new Board member. Samir Kamal has declined re-election and will step down from the Board in conjunction with the AGM. The Nomination Committee proposes the re-election of the other members.

Executive Management Group



PETER WALLIN

President and CEO since 2021
Born in 1967

Education: M.Sc. (Econ.), Uppsala University.

Professional experience: CFO and Business Area Manager at Ratos. Prior to this, 18 years of experience from senior roles in the Skanska Group, including as CFO and Line Manager with responsibility for Skanska's construction operations in the UK, Poland and the Czech Republic. Executive Chairman of the Board of the Norwegian construction company HENT and Board member of the Norwegian offshore company Aibel.

Holdings in Bonava (incl. related parties): 10,450 Class B shares.



LARS GRANLÖF

CFO since December 2020
Born in 1962

Education: M.Sc. (Econ.), Stockholm School of Economics.

Professional experience: CFO of Coop Sverige and prior to that held CFO roles at Saab and Gambro, among other companies.

Other current assignments: Board member of Team Olivia Group. Board member and CEO of Granlöv Consulting.

Holdings in Bonava (incl. related parties): 0



FREDRIK HEMBORG

Business Unit President Sweden since 2016
Born in 1972

Education: M.Sc. (Eng.), KTH Royal Institute of Technology in Stockholm.

Professional experience: A total of 19 years of experience from various positions in the NCC Group, including as Regional Manager in NCC Property Development.

Other current assignments: Board member of Ursviks exploaterings.

Holdings in Bonava (incl. related parties): 14,567 Class B shares.



SABINE HELTERHOFF

Business Unit President Germany since 2019
Born in 1962

Education: Law degree, Leipzig University.

Professional experience: General Counsel in Germany since 1999 and responsible for investor transactions in Germany since 2007.

Other current assignments: Board member of German building society Bauindustrieverband Ost.

Holdings in Bonava (incl. related parties): 4,453 Class B shares.



RIKU PATOKOSKI

Business Unit President Finland since March 2021
Born in 1973

Education: M.Sc. (arch), University of Oulu

Professional experience: A total of 19 years of experience in construction, residential and property development. Executive Vice President of Hoivatilat (2018–2020) with responsibility for the company's operations in southern Finland and Sweden. Prior to this, various senior positions at Peab and Skanska.

Other current assignments: None.

Holdings in Bonava (incl. related parties): 0



KRISTINA OLSEN

Business Unit President Denmark-Norway since 2018
Born in 1967

Education: B.Sc. (Econ.), Copenhagen Business School and certified Real Estate Agent, Niels Brock Copenhagen Business College. Advanced Business Development Programme, CIF.

Professional experience: Over 25 years' experience in the property market, including 16 years in various management roles at NCC. Head of Sales and Marketing at Bonava Denmark and Norway since 2016.

Other current assignments: None.

Holdings in Bonava (incl. related parties): 6,507 Class B shares.

**MICHAEL BJÖRKLUND**

Business Unit President St Petersburg-Baltics since 2016

Born in 1969

Education: M.Sc. (Eng.), KTH Royal Institute of Technology, Stockholm, B. Sc. (Econ.), Stockholm University.

Professional experience: 16 years' experience in senior positions in the property sector, including IKEA Real Estate Russia, Skanska International, NCC AB and Bonava.

Holdings in Bonava (incl. related parties): 4,285 Class B shares.

**SOFIA RUDBECK**

SVP Marketing, Sales & Communication since 2016

Born in 1974

Education: M.Sc. (Eng.), Lund Technical University.

Professional experience: Product and Brand Director at Fagerhult Retail. Various positions within innovation, brand and marketing at Electrolux as well as Management Consultant at McKinsey & Company.

Other current assignments: Chairman of the Centre for the Future of Places (KTH Royal Institute of Technology) and Board member of Hultafors Group.

Holdings in Bonava (incl. related parties): 6,810 Class B shares.

**PATRIK STRÖM**

Acting SVP Operations since 2020

Born in 1971

Education: M.Sc. (Eng.), KTH Royal Institute of Technology, Stockholm, B. Sc. (Econ.), Stockholm University.

Professional experience: Responsible for IT at Bonava and NCC Housing since 2014. Management roles within IT at GE and Coop. Management consultant at Accenture.

Holdings in Bonava (incl. related parties): 7,242 Class B shares.

**ANETTE SEGERCRANTZ**

Interim SVP HR since January 2021

Born in 1963

Education: B.Sc. (Phil.), Personnel, Work and Organization, Stockholm University.

Professional experience: Senior HR positions within Storebrand, SPP Pension & Insurance, AMF Pension, and The Fourth Swedish National Pension Fund (AP4).

Holdings in Bonava (incl. related parties): 0

THE FOLLOWING INDIVIDUALS WERE ALSO PART OF THE EXECUTIVE MANAGEMENT GROUP IN 2020:

Joachim Hallengren, President and CEO until 31 January 2021.

Ann-Sofi Danielsson, CFO until 31 December 2020.

Jenny Lilja Lagercrantz, SVP HR until 31 December 2020.

Juuso Hietanen, Business Unit President Finland until 11 February 2021.

Carl Rietz, SVP Operations until 1 August 2020.

Stockholm, 10 March 2021

Mikael Norman
Chairman

Viveca Ax:son Johnson
Board member

Mats Jönsson
Board member

Åsa Hedenberg
Board member

Angela Langemar Olsson
Board member

Samir Kamal
Board member

Frank Roseen,
Board member

Peter Wallin
CEO

Auditor's Report on the Corporate Governance Statement

This is a literal translation of the Swedish original report.

**TO THE GENERAL MEETING OF THE SHAREHOLDERS IN BONAVA AB (PUBL),
CORPORATE IDENTITY NUMBER 556928-0380**

Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the year 2020 on pages 101–112 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, 10 March 2021
Öhrlings PricewaterhouseCoopers AB

Patrik Adolfson
*Authorized Public Accountant
Lead Partner*

Linda Andersson
Authorized Public Accountant

Capital structure and financing

Residential development is a capital-intensive business, and in Bonava's balance sheet there are assets in the form of land and ongoing housing projects that require financing. In several of Bonava's markets, most payments are not received until the homes are delivered to customers. This imposes requirements on how we manage the Group's liquidity, financing and financial risks. Bonava's operations are financed in local currency with internal loans from Bonava's Treasury Department. Bonava's main source of liquidity is cash flow from operating activities and borrowing from external creditors.

The Group's financial risks are regulated by a Finance Policy and are managed centrally, largely by utilising different financial instruments. More information about financial risk management can be found in Note 23 for the Group.

GREEN FINANCING

In 2020, Bonava established a green financing framework, which is a further building block in Bonava's ambitious sustainability agenda. Through the framework, Bonava can issue bonds and raise loans using the proceeds to fund sustainable housing development with the aim of promoting positive environmental effects. Initially, the green assets comprise land and projects in Sweden and Denmark to be certified under the Nordic Swan Ecolabel.

As part of the green framework, it is also possible, for example, to include assets with a certain energy classification. More information concerning the green financing framework can be found on Bonava.com, and on page 12 of the Sustainability report.

LONG-TERM DEBT FINANCING

Bonava has loan agreements with AB Svensk Exportkredit (SEK) regarding four fixed-term loans totalling EUR 100 M, with maturities in 2021, 2022, 2025 and 2027. Bonava also has a revolving credit facility (RCF) with a limit of SEK 3 Bn. The facility has a maturity in December 2023 and six banks participating with equal shares. The facility can be used in SEK, EUR and NOK and primarily acts as a back-up facility for Bonava's commercial paper programme. The SEK and RCF loans are subject to floating STIBOR, EURIBOR or NIBOR 3m plus a margin and are subject to covenants relating to the equity/assets ratio and interest coverage ratio.

CORPORATE BONDS

In 2020, Bonava conducted its first issue of green corporate bonds for SEK 1 Bn, within the framework of a bond agreement of SEK 2 Bn. The bonds are listed on the Nasdaq Sustainable Bond List and initially fund projects in Sweden under the Nordic Swan Ecolabel.

COMMERCIAL PAPER

Bonava has a Swedish commercial paper programme of SEK 3 Bn. The programme is registered with Euroclear and can be utilised in either SEK or EUR. The issuing agents are Danske Bank, SEB, Svenska Handelsbanken and Swedbank.

In 2019, a commercial paper programme of EUR 250 M was implemented in Finland for the purpose of diversifying the Group's financing sources to include an additional capital market.

The RCF described above also functions as a back-up facility for commercial paper outstanding under both programmes, in the event that the market for commercial paper is unavailable when borrowing is needed.

More information can be found in the "Commercial paper" information brochure and in the presentation for investors in commercial paper at bonava.com.

CONSTRUCTION FINANCING FOR TENANT-OWNER ASSOCIATIONS AND HOUSING COMPANIES

In Sweden and Finland, Bonava sells housing units in the form of tenant-owner associations and housing companies respectively, which are established when the housing projects start. The funding of these projects is partly from Bonava AB and partly in the form of project financing from banks, wherein the loans are paid out in pace with construction. The tenant-owner associations or housing companies act as borrowers. These loans are reported in Bonava's consolidated balance sheet.

WORKING CAPITAL FINANCING

Bonava has credit limits with banks in the form of confirmed 364-day overdraft facilities, short-term loans, and a possibility to raise money market loans, wherein the banks are not obliged to grant credit. As of 31 December 2020, SEK 0 M of the overdraft facilities had been utilised.

Financing as of 31 December 2020

Type of borrowing	Currency	Limit	Maturity	Interest	Utilised amount	Unutilised amount
Commercial paper, Sweden	SEK M	3,000	<1 year	Floating	0	3,000
Commercial paper, Finland	EUR M	250	<1 year	Floating	0	250
Revolving credit facility (RCF) ¹⁾	SEK M	3,000	12 Dec 2023	Floating	0 ¹⁾	3,000
Loan	EUR M	30	9 Jun 2021	Floating	30	0
Loan	EUR M	60	31 Dec 2021	Floating	60	0
Loan	EUR M	30	9 Jun 2022	Floating	30	0
Loan	NOK M	500	30 Sep 2022	Floating	500	0
Corporate bonds	SEK M	1,000	11 Mar 2023	Floating	1,000	0
Loan	EUR M	20	20 Feb 2025	Floating	20	0
Loan	EUR M	20	20 Feb 2027	Floating	20	0

¹⁾ There was no amount utilised under the RCF. Any difference between the framework amount and the unutilised amount corresponds to the outstanding commercial paper, for which the RCF comprises a backup facility.

Project financing	Currency	Tied-up capital	Interest	Utilised amount
Tenant-owner associations in Sweden and housing companies in Finland	SEK M	11 months	Floating	1,270

GUARANTEES

Bonava's customers receive security for the completion of their home, and pay advances at various points of the process and to varying degrees depending on the market. Advance payments provide an advantage because some of the construction can be financed with these cash flows. Regulations for consumer contracts vary depending on country. Apart from collateral requirements for advance payments, some markets also require collateral for completion, wherein guarantees may be issued by banks or credit insurers which creates high demand for credit limits for this purpose. Collateral can also take the form of guarantees issued by a Group company.

SEASONAL VARIATIONS AFFECT NET DEBT

Bonava's operations exhibit significant seasonal variations, which is also reflected in its net debt. In the first three quarters of the year, borrowing usually increases as many projects are started and there are many housing units in production. In the fourth quarter, many housing units are handed over to customers, generating substantial cash flows which are used to reduce debt.

The diagrams illustrate how cash flow and net debt progress between quarters, and the proportion of borrowing comprising financing of tenant-owner associations and housing companies. Net debt amounted to SEK 3,311 M (6,873). Swedish tenant-owner associations and Finnish housing companies had total net debt of SEK 1,341 M (3,238), of which SEK 1,270 M (2,364) pertained to financing from banks and SEK 91 M (891) to financing via Parent Company credit facilities directly attributable to Swedish tenant-owner associations.

Total cash in hand for the Group was SEK 1,387 M (499). Consolidated net debt for other operations was SEK 1,971 M (3,635). The lower overall level of net debt is attributable to a number of factors in the various segments. In Germany, customer advances have financed operations to a greater extent. In Sweden, the worked-up value in ongoing production declined as a result of a lower price per unit at the same time as the number of units was in line with the preceding year. The planned actions yielded an effect in Nordic, which was also reflected in lower net debt. In St. Petersburg-Baltics, net debt was more in line with the preceding year.

	2020	2019
Non-current interest-bearing receivables	2	2
Current interest-bearing receivables	17	19
Cash and cash equivalents	1,387	499
Interest-bearing receivables	1,407	520
Non-current interest-bearing liabilities	3,063	1,378
Current interest-bearing liabilities	1,655	6,015
Interest-bearing liabilities¹⁾	4,718	7,393
Net debt	3,310	6,873
<i>of which, attributable to Swedish tenant-owner associations and Finnish housing companies²⁾</i>		
Cash and cash equivalents	20	17
Interest-bearing liabilities in external project financing	1,270	2,364
Interest-bearing liabilities in other project financing ³⁾	91	891
Net debt in tenant-owner associations and housing companies	1,341	3,238
<i>of which, other operations⁴⁾</i>		
Cash and cash equivalents	1,367	482
Interest-bearing receivables	19	21
Interest-bearing lease liabilities, IFRS 16	223	257
Interest-bearing liabilities, other operations	3,134	3,880
Net debt, other operations	1,971	3,635

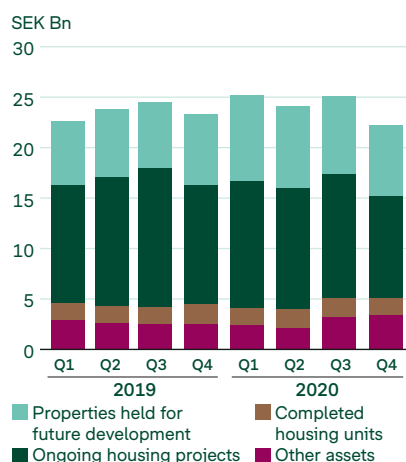
¹⁾ Of which green loans SEK 1,298 M. The green asset base pledged consisted of assets in Sweden and Denmark that are or will be Nordic Swan Ecolabelled. Comparative figures for 2019 are unavailable, since the framework did not exist in 2019.

²⁾ As a consequence of the consolidation of tenant-owner associations and housing companies in full, interest-bearing liabilities attributable to Swedish tenant-owner associations and Finnish housing companies are included in Bonava's net debt.

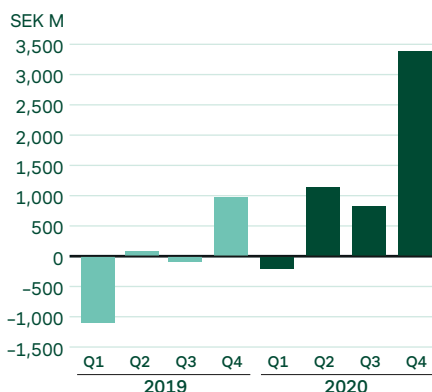
³⁾ Relates to financing via Parent Company credit facilities directly attributable to Swedish tenant-owner associations.

⁴⁾ Relates to financing of operations in all segments excluding the Swedish and Finnish consumer business.

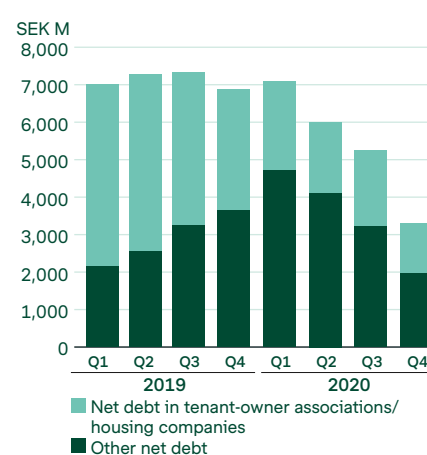
Allocation of assets in the balance sheet



Cash flow before financing



Net debt



The Bonava share and shareholders

The Bonava share has been listed on Nasdaq Stockholm since 9 June 2016. Since January 2021, the share is included in the Mid Cap segment. Bonava has two share classes, Class A and Class B, which both trade on Nasdaq Stockholm. Each Class A share carries ten votes and each Class B share one vote. Bonava's share capital was SEK 434 M on 31 December 2020, divided among 108,435,822 shares and 211,090,686 votes. Bonava had 11,406,096 Class A shares and 97,029,726 Class B shares. Read more about the share capital performance at www.bonava.com/aktien/aktiekapitalets-utveckling.

OWNERS AND OWNERSHIP STRUCTURE

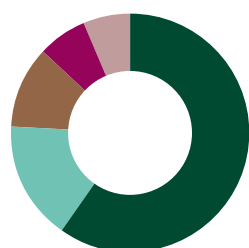
The number of shareholders at the end of the year amounted to 31,089 (30,158). The largest shareholder, Nordstjernan AB, controlled 47.5 per cent of the votes and 19.7 per cent of the capital. No other shareholder, directly or indirectly, holds more than 10 per cent of the shares in Bonava (votes or capital). At the end of the year, Swedish institutions and companies owned 60.0 per cent of the capital or votes. Foreign ownership amounted to 11.0 per cent.

Largest shareholders	No. of Class A shares	No. of Class B shares	Holding, %	Votes, %
Nordstjernan AB	8,500,000	18,077,265	24.5	48.8
Swedbank Robur fonder	128,119	8,696,087	8.1	4.7
Lannebo Fonder	0	6,811,054	6.3	3.2
Didner & Gerge Fonder	0	2,965,299	2.7	1.4
The Fourth Swedish National Pension Fund (Fjärde AP-fonden)	3,343	2,902,579	2.7	1.4
Carnegie Fonder	0	2,406,404	2.2	1.1
Vanguard	75,545	2,182,621	2.1	1.4
Unionen	0	2,200,000	2.0	1.0
Dimensional Fund Advisors	4,050	2,108,873	1.9	1.0
Norges Bank	4,239	1,890,949	1.7	0.9
Subtotal, ten largest shareholders	8,715,296	50,241,131	54.4	65.1
Other	2,690,800	46,788,595	45.6	34.9
Total no. of shares	11,406,096	97,029,726	100.0	100.0

Breakdown of owner size as of 31 December 2020

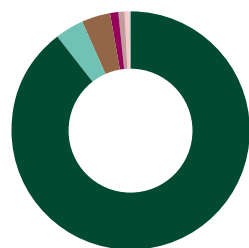
Size range	Owner, number	Owner, %	No. of shares	Capital, %	Votes, %
1-500	24,541	78.9	3,609,058	3.3	4.0
501-1 000	3,372	10.8	2,770,999	2.6	2.6
1,001-10,000	2,903	9.3	7,862,892	7.3	6.6
10,001-1,000,000	256	0.8	18,388,884	17.0	13.3
1,000,001-5,000,000	14	0.0	26,430,472	24.4	13.0
5,000,001-	3	0.0	42,212,525	38.9	56.8
Anonymous ownership			7,160,992	6.6	3.7
Total	31,089	100.0	108,435,822	100.0	100.0

Ownership categories



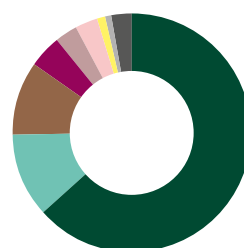
Swedish institutional owners, 60.0%
Swedish private individuals, 16.1%
Foreign institutional owners, 11.0%
Anonymous ownership, 6.8%
Other, 6.2%

Ownership by country



Sweden, 89.7%
USA, 3.9%
Anonymous ownership, 3.8%
Norway, 1.1%
UK, 0.8%
Finland, 0.2%
Other, 0.6%

Market share (trading)



Stockholm, 63.37%
Cboe BXE, 11.48%
Cboe APA, 9.94%
Aquis, 4.49%
Cboe CXE, 3.20%
LSE, 2.88%
Turquoise, 1.15%
Cboe Periodic, 0.82%
Other, 2.67%

QUICK FACTS

Marketplace:	Nasdaq Stockholm
Segment/sector:	Financials/ Real Estate
Share class:	Class A and Class B
No. of shares:	108,435,822
Market cap as of 31 Dec 2020:	SEK 8.4 Bn
ISIN code, Class B share:	SE0008091581
ISIN code, Class A share:	SE0008091573

Ticker symbols

Nasdaq:	BONAV B
Bloomberg:	BONAVA:SS
Reuters:	BONAVb.ST

PROGRESS DURING THE YEAR

During the year, Bonava's Class B share fell 20.9 per cent compared to OMXSPI, which rose 12.9 per cent in the same period. The closing price on 30 December 2020 was SEK 79.00 per Class A share and SEK 78.70 per Class B share, corresponding to a market capitalisation of SEK 8.4 Bn.

SHARE TURNOVER AND TRADING

The average daily turnover for the Class B share for the year was 35,225,562 shares. Bonava's Class B shares were traded on multiple marketplaces, of which Nasdaq Stockholm represented 60 per cent of turnover.

Average daily turnover (no. of shares)	2020
Class A shares	2,364
Class B shares	576,216
Trading in Class B shares	2020
Share turnover, million	145.2
Value of share turnover, as of 31 December	SEK 8.9 Bn
Average daily turnover	SEK 35.2 M

DIVIDEND AND DIVIDEND POLICY

Bonava's dividend policy is to distribute a minimum of 40 per cent of profit after tax for the year. For the 2020 financial year, the Board of Directors proposes an ordinary dividend of SEK 3.25 per share (0.00), and an extraordinary dividend of SEK 2.00 per share paid in two disbursements. The record date for the right to receive the first dividend of SEK 3.65 per share is proposed to be 6 April 2021. The record date for the right to receive the second dividend of SEK 1.60 per share is proposed to be 4 October 2021. On condition that the AGM approves the dividend proposal, payment will be made on 9 April 2021 and 7 October 2021, respectively.

REPURCHASE OF TREASURY SHARES

The 2020 Annual General Meeting resolved that the company will have the right to repurchase Class B shares in the company for the purpose of covering the costs that could arise as a result of the 2020 incentive programme. In 2020, 430,294 Class B shares were repurchased. As of 31 December 2020, there were 1,245,355 Class B shares in treasury.

CONVERSION OF SHARES

Under Bonava's Articles of Association, owners of Class A shares are entitled to conversion to Class B shares. In 2020, a total of 500,100 Class A shares were converted to 500,100 Class B shares.

LTIP 2020

Bonava has two previously existing long-term share-based incentive programmes, covering at total of approximately 40 people. The Annual General Meeting on 31 March 2020 authorised the introduction of an additional share-based incentive programme consisting of the Executive Management Group and certain key executives, a total of some 50 individuals. For more information, refer to Note 4.

Per share data as of 31 December	2020	2019
Share price, Class A, SEK	79.00	102.00
Share price, Class B, SEK	78.70	99.50
High, Class B, SEK	106.20	129.50
Low, Class B, SEK	34.82	90.70
Share price performance, %	-20.9	-14.4
Shareholders' equity per share, SEK	73.87	70.02
Dividend, SEK	5.25 ¹⁾	0.00
Total return, %	-20.9	-9.0
Dividend yield, %	6.70 ²⁾	0.0
Earnings per share ³⁾ , SEK	6.82	5.71
Cash flow per share, SEK	35.30	3.55
P/E ratio	11.5	17.4
No. of shares	108,435,822	108,435,822
No. of shareholders	31,089	30,158

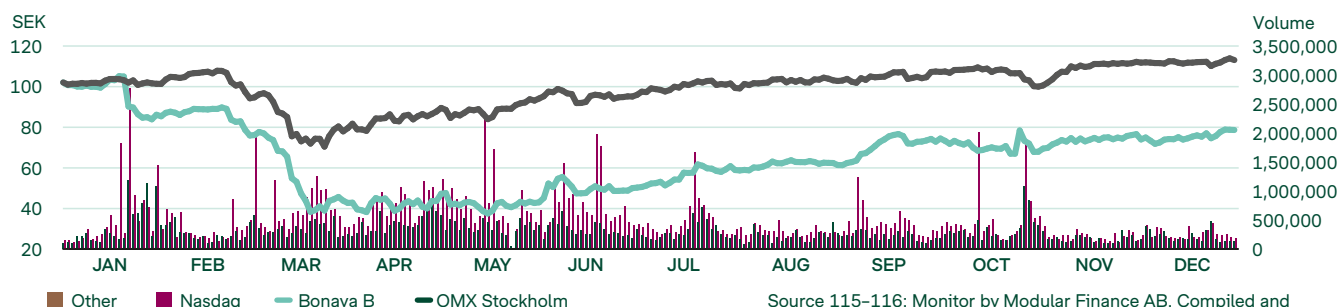
¹⁾ Proposed by the Board.

²⁾ Based on proposed dividend.

³⁾ Before and after dilution.

Analysts who cover Bonava	Name
ABG Sundal Collier	Tobias Kaj
Carnegie Investment	Erik Granström
DNB Markets	Simen Mortensen
Handelsbanken Capital Markets	Johan Edberg
Nordea Markets	David Flemmich
SEB Equities	Stefan Andersson
Kepler Cheuvreux	Jan Ihrfelt

Bonava B share price and trading volume, 2020



Source 115–116: Monitor by Modular Finance AB. Compiled and processed data from various sources, including Euroclear, Morningstar and the Swedish Financial Supervisory Authority (Finansinspektionen).

Information to shareholders

2021 ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) of Bonava AB (publ) will be held on Wednesday, 31 March 2021. In light of the ongoing pandemic and for the purpose of reducing the risk of contagion, the AGM will be carried out in the form of a postal vote according to the Swedish Act on Temporary Exemptions to Facilitate the Execution of General Meetings in Companies and Associations (2020:198), meaning that no shareholders or proxies are able to attend the AGM in person.

Participation will instead take the form of the submission of votes and any questions in advance. All meeting documentation is available at www.bonava.com/en/annual-general-meeting-2021. The above link will also contain a recorded presentation featuring the Chairman of the Board and the CEO, among others, during which the intention is to address any questions from shareholders.

Notice of participation and postal voting

Shareholders who wish to participate in the Annual General Meeting via postal voting must be included in the share register on Tuesday, 23 March 2021, and provide notice of participation by casting their advanced vote no later than Tuesday, 30 March 2021 via a special form or electronically through verification using BankID. Both methods are handled via bonava.com/en/general-meeting/annual-general-meeting-2021

Nominee-registered holdings

Shareholders with nominee-registered holdings must, in addition to the notice of participation, temporarily re-register their shares in their own name at Euroclear Sweden AB well in advance of the record date on 23 March 2021.

For other instructions, refer to the section under the heading "Postal voting" in the notice convening the Annual General Meeting.

Proposed dividend

The Board of Directors proposes an ordinary dividend of SEK 3.25 per share (0.00), and an extraordinary dividend of SEK 2.00 per share paid in two disbursements.

The record date for the right to receive the first dividend of SEK 3.65 per share is proposed to be 6 April 2021. The record date for the right to receive the second dividend of SEK 1.60 per share is proposed to be 4 October 2021.

On condition that the AGM approves the dividend proposal, payment will be made on 9 April 2021 and 7 October 2021, respectively.

FINANCIAL CALENDAR

- Interim Report Q1 Jan–Mar 2021 29 April 2021
- Interim Report Q2 Jan–Jun 2021 20 July 2021
- Interim Report Q3 Jan–Sep 2021 28 October 2021
- Year-end Report Jan–Dec 2021 1 February 2022



2020 ANNUAL REVIEW ON THE WEB AND DISTRIBUTION POLICY

Read more about Bonava and the past year in our Annual Review on the web.

A limited number of the statutory annual and sustainability report will be printed for shareholders who wish to receive a hard copy.

IR CONTACT

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Tel: +46 708 807 173

Definitions

Bonava uses measurements including the following alternative key performance indicators: return on capital employed, net debt and equity/assets ratio. The Group considers that these key performance indicators provide complementary information to readers of its financial reports that contributes to assessing the Group's capacity to pay dividends, make strategic investments, meet its financial commitments and to evaluate its profitability. Calculations and more information about the alternative key performance indicators are available at bonava.com/en/investor-relations/financial-information. The Group defines the key performance indicators as shown below.

FINANCIAL KEY PERFORMANCE INDICATORS

Average capital employed

Average capital employed as of the five last quarters.

Average fixed-rate term

The remaining fixed-rate term weighted by interest-bearing liabilities outstanding.

Average interest rate

Nominal interest rate weighted by interest-bearing liabilities outstanding on the balance sheet date.

Average shareholders' equity

Average reported shareholders' equity as of the last five quarters.

Capital employed

Total assets less non-interest bearing liabilities including deferred tax liabilities.

Capital turnover rate

Net sales on a rolling 12-month basis divided by average capital employed.

Debt/equity ratio

Net debt divided by shareholders' equity.

Dividend yield

The dividend as a percentage of the market price at year-end.

Earnings per share

Net profit/loss for the period attributable to Bonava's shareholders divided by the weighted average number of shares in the year.

Earnings per share adjusted for items affecting comparability

Net profit/loss for the period, excluding items affecting comparability and tax on items affecting comparability, attributable to Bonava's shareholders divided by the weighted average number of shares in the year.

Equity/assets ratio

Shareholders' equity as a percentage of total assets.

Interest coverage ratio

Profit/loss after financial items plus financial expense divided by financial expense, calculated on a rolling 12-month basis.

Items affecting comparability

Material one-off items in operating profit, the profit effect of which is important to note when the financial performance for the period is compared with earlier periods. For further description, see Note 1 (Items affecting comparability section), page 65 and Note 25.

Net debt

Interest-bearing liabilities and provisions less interest-bearing assets including cash and cash equivalents.

Net sales

Net sales are recognised when the housing unit is delivered to the end customer. Property sales are recognised on the date when control is transferred to the buyer, which normally coincides with transfer of ownership. Net income is subject to the same definition.

Operating margin

Operating profit as a percentage of net sales.

Production costs

Costs incurred for land, development expenses for architects and other contractor-related costs, utility connection fees and building construction.

Return on capital employed

Profit after financial items excluding items affecting comparability on a rolling 12-month basis following the reversal of interest expense as a percentage of average capital employed.

Share of risk-bearing capital

Total shareholders' equity and deferred tax liabilities as a percentage of total assets.

Total assets

Total assets or liabilities and shareholders' equity.

Total return

Total of the change in the share price during the year and paid dividends in relation to the share price at the beginning of the year.

SECTOR-RELATED DEFINITIONS

Building right

Estimated possibility of developing a site. With respect to housing units, a building right corresponds to an apartment or a semi-detached or detached house. Either ownership of a site or an option on ownership of the site is a prerequisite for being granted access to a building right.

Completed housing units

Refers to housing units for which inspection documents have been received, but the unit has not yet been sold, or units that have been sold but not handed over to the customer.

Completion rate

Recognised expenses in relation to the calculated total costs of ongoing housing projects.

Housing units in production

Refers to the period from production start to completion of a building. A housing unit is considered complete on receipt of inspection documentation.

Housing units sold

Number of housing units for which binding sales agreements have been signed with the customer and production of the housing unit has started.

Number of housing units recognised in profit

Number of housing units sold that have been occupied by the purchaser. Once the purchaser has taken over occupancy, the purchase consideration is recognised as net sales, and expenses incurred for the housing unit are recognised as production costs.

Production start

The time when Bonava starts production of a building. At this time, capitalised expenditure for land and development expenses is transferred to ongoing housing projects.

Properties held for future development

Refers to Bonava's holdings of land and building rights for future residential development and capitalised property development costs.

Reservation rate

Number of reserved housing units in production in relation to the total number of housing units in production.

Sales rate

Number of housing units sold in production in relation to the total number of housing units in production.

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