

# CORPORATE GOVERNANCE



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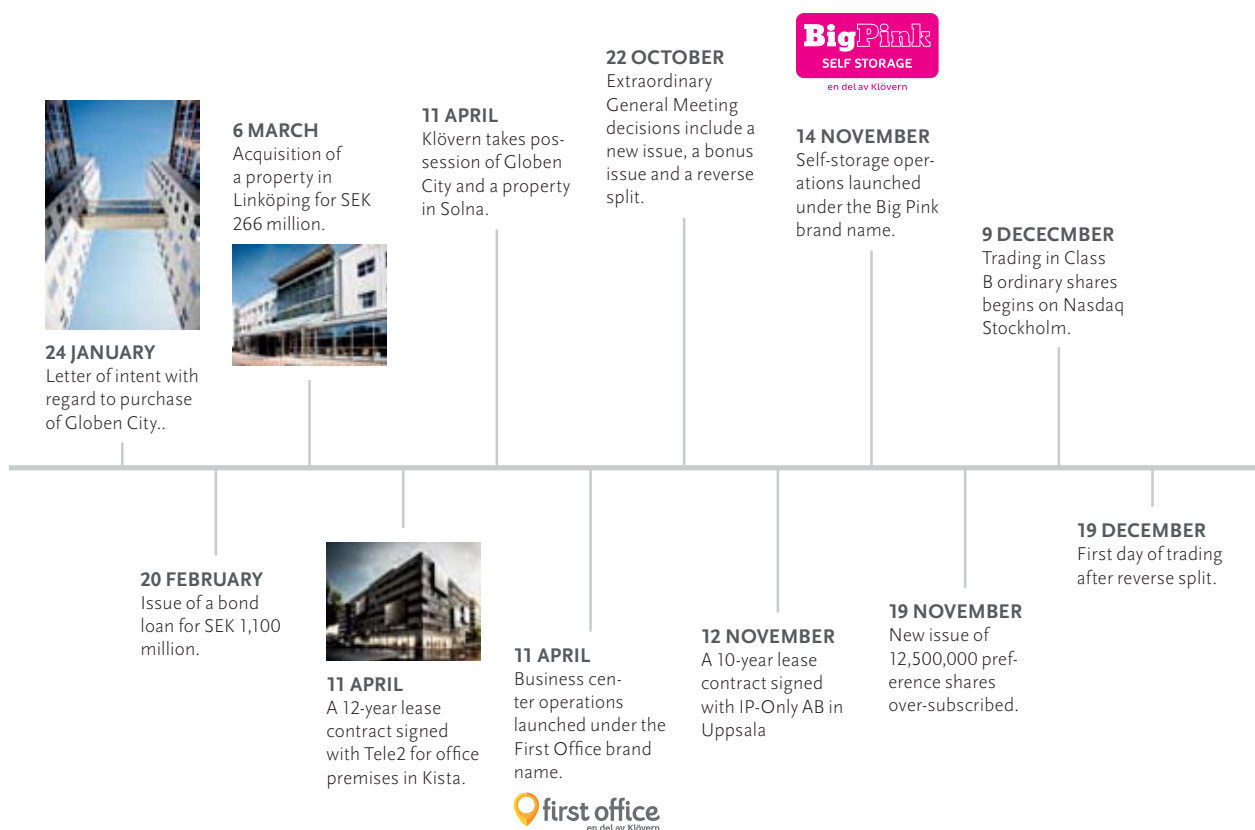
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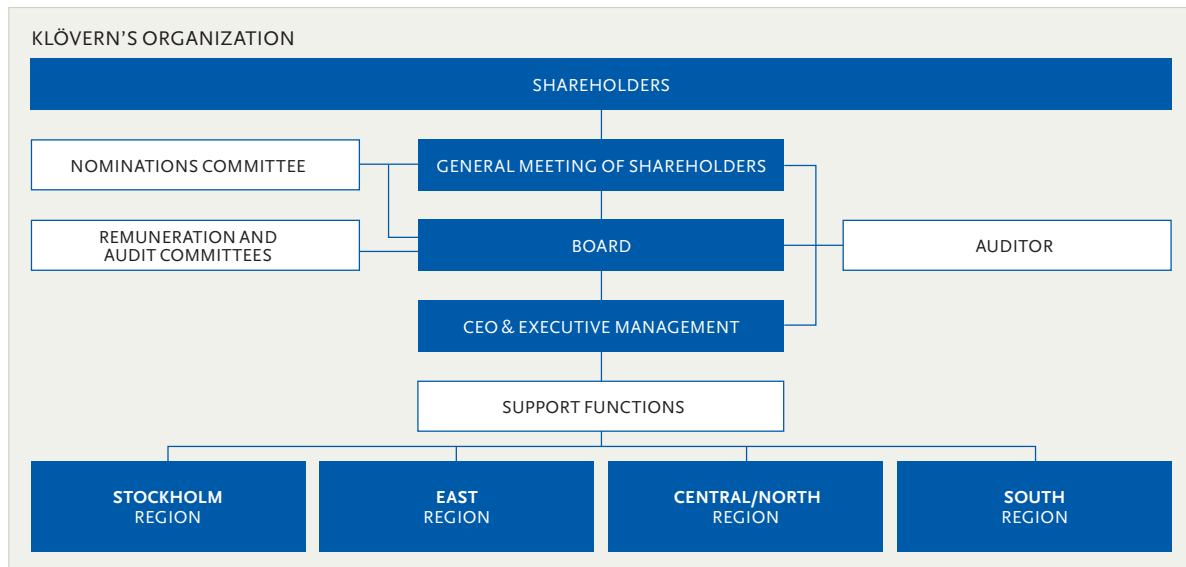
# CORPORATE GOVERNANCE REPORT 2014

Klövern AB is a Swedish public real estate company which is listed on Nasdaq Stockholm. Sound corporate governance with well-structured internal processes and clarity are of fundamental importance for Klöverns long-term creation of value. The corporate governance report is an account of Klöverns corporate governance during 2014.

## IMPORTANT EVENTS

- > Issue of a 4-year uncovered bond loan for SEK 1,100 million.
- > Dividend of SEK 1.50 per ordinary share and SEK 10.00 per preference share decided upon for the 2013 financial year.
- > Acquisition of an additional 2,903,599 shares in Tribona AB (publ), in connection with the new issue made by the company.
- > Four new issues of preference shares totalling 14,351,662 shares, of which 12,500,000 issued in November.
- > A new class of shares, Class B ordinary shares, was created through a bonus issue. Ten Class B ordinary shares were issued for each Class A ordinary share so that the total number of outstanding ordinary shares became 11 times larger.
- > A reverse split undertaken at the end of December meant that two shares, irrespective of class, were merged to form one share of the same class.
- > A conversion clause was included in the articles of association enabling shareholders who apply to do so to convert Class A ordinary shares into Class B ordinary shares.





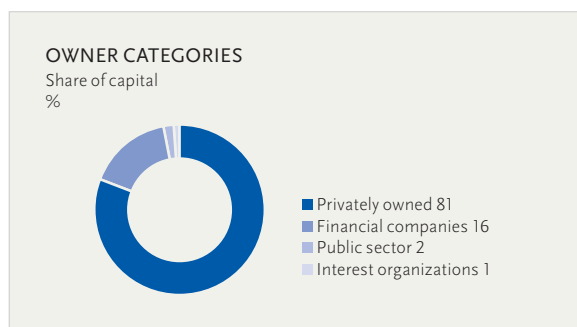
**CORPORATE GOVERNANCE IN KLÖVERN**

Corporate governance in Klöver is long term and defines the decision-making system used by the owners, directly and indirectly, to manage the company and its risks. Klöver's corporate governance, management and control is based on current legislation, the regulatory framework of Nasdaq Stockholm, the Swedish Code of Corporate Governance, the Articles of Association, other external guiding documents and recommendations and internal guiding documents such as the business plan, policies and attestation rules. Klöver's values on closeness and commitment shape the way in which its personnel work, which is also the case for corporate governance, management and control.

**THE SWEDISH CODE OF CORPORATE GOVERNANCE**

The Swedish Code of Corporate Governance is a complement to legislation and other regulations. It is intended to provide relevant and effective corporate governance. The Code is not mandatory although an explanation is required in the event of a decision to depart from it according to the principle "comply or explain".

At least once a year the Board and auditors meet without the presence of the CEO or other representatives from the company. The company's auditors attend two board meetings per year and explain observations and points of view that have occurred in the course of examination.



**Articles of Association**

The Articles of Association, adopted by a general meeting of shareholders, together with current legislation, determines how the company operates and is governed. Klöver AB is a Swedish public limited liability company, listed on Nasdaq Stockholm. It is registered and has the corporate ID number 556482-5833, and its registered office is in Nyköping. Klöver has an administrative service office in Nyköping and its head office in Stockholm.

Klöver's operations are, either directly or indirectly through subsidiaries, to own, manage, develop and sell properties as well as engaging in compatible activities. Class A ordinary shares, Class B ordinary shares and preference shares can be issued.

The company's financial year is the calendar year.

**GENERAL MEETINGS OF SHAREHOLDERS AND VOTING RIGHTS**

The general meeting of shareholders is regulated by the Companies Act and the Articles of Association and is the highest decision-making body of a limited company. All shareholders, who have a shareholding registered in their own name at least five days prior to the meeting, are entitled to participate in the general meeting and vote for the shares owned and represented. Shareholders also have the right to have a matter discussed at the general meeting provided that the matter has been notified to the Board within the time limits specified in the notice of the meeting. Notice of general meetings of shareholders is given in accordance with the Companies Act and is provided by the Board. Notice of the Annual General Meeting of shareholders or an extraordinary shareholders meeting where the Articles of Association are to be considered shall be given no more than six weeks and no less than four weeks prior to the meeting. Notice of other extraordinary general meetings shall be given no more than six weeks and no less than two weeks prior to the meeting.

**The share and ownership**

Klövern's Class A ordinary shares, until the middle of November 2014 called only ordinary shares, have been listed on Nasdaq Stockholm since 2003. Klöverns preference shares have been traded on Nasdaq Stockholm since January 2012. A new class of shares, Class B ordinary shares, was added – and listed on Nasdaq Stockholm – at the end of 2014 through a bonus issue. A Class A ordinary share entitles the holder to one (1) vote while a Class B ordinary share, like a preference share, entitles the holder to one tenth (1/10) of a vote. At year-end 2014, there were 83,272,180 Class A ordinary shares, 832,721,800 Class B ordinary shares and 16,440,000 preference shares. The total number of shareholders was 42,725 (35,818). Of the total number of shares 79 per cent (83) are owned by Swedish holders.

On 31 December 2014 the price of a Class A ordinary share was SEK 8.20, of a Class B ordinary share SEK 7.60 and of a preference share SEK 317.50. This means that the market capitalization, based on the total number of outstanding shares, was SEK 12,232 million (7,527). The share capital amounted to SEK 1,865 million (925).

The company has three shareholders, Corem Property Group, Arvid Svensson Invest and Roger Arnhult through companies, with a shareholding of over 10 per cent of the equity. The ten largest shareholders together represented 66 per cent (63) of the total share capital at year-end. During 2014 Class A ordinary shares worth SEK 2,493 million (2,074) and preference shares worth 2,282 million (1,414) were traded. The price of the ordinary share rose by 48 per cent (11) during the year. The share price performance has been calculated on the basis of how the value of a holding of ordinary shares – renamed during the year as Class A ordi-

nary shares – developed after taking into account the Class B ordinary shares that were distributed through the bonus issue. The price of the preference share rose by 6 per cent (10) during 2014. More information about shares in Klöverns and a list of the largest shareholders can be found on pages 58–62.

**SHARE REPURCHASE AND DIVIDEND**

At year-end, Klöverns no longer had any repurchased ordinary or preference shares. Klöverns has been authorized by the 2014 Annual General Meeting to repurchase a maximum of 10 per cent on any occasion of the total number of registered shares during the period until the 2015 Annual General Meeting.

According to the goals in the business plan for 2015, dividend shall amount to at least 50 per cent of the profit from property management in the long term. When considering the amount of dividend, the company's investment alternatives, financial position and capital structure are taken into account.

During the past ten years, Klöverns has, including the proposed dividend for ordinary shares and preference shares to be submitted to the Annual General Meeting, distributed an average of 64 per cent of the profit from property management to Klöverns's shareholders.

The business plan for 2015 also includes a goal that the dividend to preference shareholders shall not exceed 30 per cent of the profit from property management in the long term.

**THE COMPOSITION OF THE NOMINATIONS COMMITTEE**

The composition of the Nominations Committee is decided by the Annual General Meeting and has to be representative of the owners of the company and has the task of preparing proposals for the Meeting to decide on. The Nominations Committee has to make proposals to the annual general meeting on:

- > the election of a chairman of the board
- > the appointment of directors with reasons for appointment, as well as on the number of directors and on fees
- > auditors including fees and reasons for appointment
- > fees for work on committees
- > rules on the composition of the Nominations Committee for the period until the next Annual General Meeting
- > the procedure for replacing members of the Nominations Committee before their work is completed.

**The work of the Nominations Committee**

The 2014 Annual General Meeting decided that the Nominations Committee should be appointed annually, and consist of the Chairman of the Board and representatives of each of the four largest shareholders in the company on the last day of

## THE COMPOSITION OF THE BOARD OF DIRECTORS DURING 2014

Director	Elected	Independent	No. of board meetings attended	Fee, SEK 000s	Shareholding <sup>3</sup> , % of equity	Shareholding <sup>3</sup> , % of votes
Fredrik Svensson, Chairman <sup>1</sup>	2005	No	22/23	280	15.8	15.9
Rutger Arnhult, CEO <sup>1,2</sup>	2009	No	22/23	–	10.2	10.7
Ann-Cathrin Bengtson	2011	Yes	23/23	140	–	–
Eva Landén <sup>1</sup>	2011	No	23/23	140	–	–
Pia Gideon	2013	Yes	22/23	140	–	–

## TOTAL SHAREHOLDING

1) Fredrik Svensson, Rutger Arnhult and Eva Landén are dependent on relatively large owners and Rutger Arnhult and Eva Landén are dependent in relation to the executive management.

2) Rutger Arnhult also owns through companies shares corresponding to 38.9 per cent of the votes in Corem Property Group. Source: Corem's year-end report for 2014.

3) Direct or indirect shareholding in the company as at year-end 2014.

trading in September of the year prior to the Annual General Meeting. No remuneration was to be paid to the members of the Nominations Committee. Shareholders wishing to make proposals to the Nominations Committee may do so by e-mail at styrelsenominering@klovern.se or by telephone on +46 155-44 33 00. The Nominations Committee has had two meetings during 2014. The Nominations Committee has focused on matters relating to evaluation of the Board, the number of directors and the competence of the Board.

## 2014 ANNUAL GENERAL MEETING

Klövern's Annual General Meeting 2014 was held on 23 April at Kistamässan, Stockholm. The meeting was attended by 72 people, including shareholders, the Board, representatives, assistants, analysts and guests. Together, these represented 64 per cent (66) of the votes in the company. In addition to the mandatory matters stipulated in the articles of association, decisions were made on:

- > dividend of SEK 1.50 per ordinary share and SEK 10 per preference share.
- > re-election of directors Fredrik Svensson, Rutger Arnhult, Ann-Cathrin Bengtson, Pia Gideon and Eva Landén.
- > re-election of Fredrik Svensson as Chairman of the Board,
- > the election of a new auditor, Fredrik Hävrén, E&Y.
- > unchanged board fee, excluding the CEO, and that the board fee therefore amounts to SEK 700,000, of which SEK 280,000 is paid to the Chairman of the Board and SEK 140,000 to each board member. Auditors' fees to be paid in accordance with approved invoices,
- > renewed authorization for the Board to acquire and transfer the company's own shares,
- > renewed authorization for the Board to decide on new issues of ordinary and/or preference shares.

Minutes of all Annual General Meetings are available (in Swedish) on Klövern's website, [www.klovern.se](http://www.klovern.se). The 2015 Annual General Meeting will be held at Kistamässan, Stockholm at 4 pm on 23 April 2015.

## EXTRAORDINARY GENERAL MEETING

At an Extraordinary General Meeting on 22 October 2014 among other things it was resolved to introduce a new class of shares, Class B ordinary shares, and to authorize the board to decide on issues of further preference shares. More information is available on Klövern's website, [www.klovern.se](http://www.klovern.se).

## THE RESPONSIBILITY OF THE BOARD OF DIRECTORS

The Board has the overall responsibility for the company and is elected at the Annual General Meeting following a proposal made by the Nominations Committee. Its task is to manage the company's business in the interests of the company and all of its shareholders. Its undertakings are governed by the Companies Act, the Articles of Association, the Swedish Code of Corporate Governance and its own rules of procedure. The Board must be of the size and composition that will ensure its ability to manage the company's business with integrity and efficiency.

## Composition

According to the Articles of Association, Klövern's Board of Directors shall consist of no less than four and no more than eight members. The Board consists of five directors, Fredrik Svensson (chairman), Rutger Arnhult (CEO), Ann-Cathrin Bengtsson, Eva Landén and Pia Gideon.

**INDEPENDENCE**

According to the Swedish Code of Corporate Governance and Nasdaq Stockholm, the majority of the directors elected by the Annual General Meeting must be independent in relation to the company and the executive management. At least two of the directors who are independent in relation to the company and the executive management must also be independent in relation to the company's major shareholders. To determine the independence of a director, the Nominations Committee is to make an overall assessment of all circumstances that may call into question the independence of that director. The results of the considerations made by the Nomination Committee must be presented in the Notice of the Annual General Meeting.

Three of Klöver's five directors, Ann-Cathrin Bengtson, Pia Gideon and Fredrik Svensson are independent both in relation to the company and to the executive management. As at 31 December 2014, two of these, Ann-Cathrin Bengtson and Pia Gideon are also independent in relation to the major shareholders.

**Rules of procedure****THE CHAIRMAN OF THE BOARD**

The Chairman of the Board is elected at the Annual General Meeting, following a proposal by the Nominations Committee, and is responsible for leading and organizing the work of the Board efficiently, as well as acting as a discussion partner and support for the CEO.

The Chairman must also:

- > be responsible for the communication between the shareholders and the Board
- > ensure that the Board complies with its obligations in accordance with current legislation, other regulatory frameworks, guiding documents and the rules of procedure
- > ensure that directors receive the requisite training and information to be able to analyze the company's financial position, strategy, planning and development
- > carry out an annual evaluation of the Board's work
- > appoint a Nominations Committee as mandated by the Annual General Meeting and participate in this committee.

The work of the Board takes place in accordance with the rules of procedure adopted at the first ordinary board meeting after the Annual General Meeting. These rules of procedure include directives about the frequency of meetings, the division of duties and reporting between the Board, the Chairman of the Board and the CEO. A report on the financial position, investments and sales, market-related matters, and organization are agenda items at every ordinary meeting. Other matters such as strategy and future-related matters, risk management, important policies, audit, internal man-

agement and control, the budget and the annual accounts are dealt with at specific meetings, according to a set calendar.

**Committees****THE TASK OF COMMITTEES**

If the Board appoints committees, the rules of procedure must make clear which tasks and decision-making power have been delegated to the committees by the Board and how the committees are to report to the Board. The Audit Committee shall consist of at least three members of the board. The majority of its committee members shall be independent in relation to the company and the executive management. At least one of the members who are independent in relation to the company and the executive management must also be independent in relation to the Company's major shareholders.

Klöver's Board considers that the whole Board, except the CEO, should participate in important discussions and decisions relating to audit and remuneration to the executive management. The whole of the Board, except the CEO, constitutes the Remuneration and Audit Committees. Members who are dependent in relation to the executive management do not participate in decisions concerning remuneration issues relating to the CEO. The Remuneration Committee prepares proposals for the Board on guidelines for remuneration and other terms of employment for the CEO and other senior executives in accordance with principles decided upon by the Annual General Meeting.

The Remuneration Committee has had two minuted meetings during 2014. These meetings have dealt with matters such as remuneration and bonuses for the Executive Management.

**The work of the Board during 2014**

The work of the Board is evaluated annually by a systematic and structured process. The intention is to develop the way in which the Board works and its efficiency. The result of the evaluation is presented to the Nominations Committee. The outcome for 2014 showed that the Board had performed well.

During 2014, there have been six (5) ordinary meetings, one (1) meeting following its election, four (5) meetings with decisions by circulation and 12 (5) extraordinary meetings, making a total of 23 meetings (16). Each ordinary meeting has complied with the calendar laid down in the rules of procedure. This calendar stipulates that a report is to be made at each ordinary meeting on the result and financial position and major investments and transactions. In addition, the agenda includes matters relating to audit, internal control, remuneration, policies, evaluations and budget-related matters. Once a year, the Board has a meeting that focuses on the

business plan, strategy and future-related issues. The meetings with decisions by circulation have concerned decisions to submit interim reports and the annual report.

Fredrik Svensson has been Chairman of Klöverns Board since the 2011 Annual General Meeting.

#### AUDITORS

Ernst & Young AB was elected as the company's auditor at the 2014 Annual General Meeting for the period until the 2015 Annual General Meeting. Authorized public accountant Fredric Hävrén was elected to be the new auditor-in-charge at Klöver AB. According to the Articles of Association, the auditors are elected annually.

Their mandate includes examination of the company's accounts and annual financial statements, as well as the management of the company by the executive management and the Board. Unless specifically decided otherwise, the auditors are to examine the company's corporate governance report, review remuneration to the executive management and review the company's nine-month report. These examinations are performed in accordance with good auditing standards in Sweden and compiled in audit reports and reports, which are considered annually by the Board. The reports to the Board state, for instance, whether Klöver is organized in such a way as to enable the accounts, financial management and other financial circumstances to be checked in a satisfactory way.

#### FREDRIC HÄVRÉN

Born 1971. Authorized public accountant since 2003. Employed by Ernst & Young AB since 1999.

*Other assignments:* ICA Fastigheter AB, Mengus Stockholm 2005 AB, HSB Bostad AB

*Shareholding in Klöver:* no shares

#### THE GROUP

The Group structure of Klöver AB consists of the parent company Klöver AB and 23 directly owned subsidiaries (22). All operations are in Sweden in 18 business units. The cities are grouped in four regions, Stockholm, East, Central/North, and South, in order, amongst other things, to share leading-edge expertise in project work and letting.

#### BOARD FEES

During 2014 the Board received remuneration totalling SEK 700,000 (700,000) to be divided between its members apart from the CEO. The board comprised five members during 2014. The chairman's remuneration amounted to SEK

280,000 (280,000) and the other members SEK 140,000 (140,000) for each member for a full year.

#### THE CEO AND EXECUTIVE MANAGEMENT

The CEO is appointed by and reports to the Board. The CEO's most important task is to take care of the day-to-day management of the company. In addition to the CEO, the Executive Management team consists of two people.

#### The work of the Executive Management during 2014

The Executive Management has had 6 minuted meetings (5) during 2014. In addition to matters relating to day-to-day activity, matters of a financial nature, strategy, personnel, transactions and financial reporting are dealt with.

#### Changes in the Executive Management

During the autumn of 2014 the executive management team was reorganized. Peeter Kinnunen assumed the role of Head of Transactions in the executive management team and Susanne Essehorn joined Klöver as Head of Real Estate. The four regional heads who formerly were part of the executive management team continue to head their regions, the same applies to the head of human resources.

#### REMUNERATION AND INCENTIVE PROGRAMMES

The Board proposes, and the Annual General Meeting decides upon, the principles for remuneration and other terms of employment for the CEO and other members of the executive management team. The basic salary shall be at a market level and competitive and take into account the areas of responsibility and experience of the individual. Variable salary shall be linked to predetermined and measurable criteria, designed with the intention of promoting the long-term creation of value in the Company. The current incentive programmes are long-term and are intended to promote commitment to the Company and thus also added value for the shareholders. The fees for the Board and its committees are proposed by the Nominations Committee to the 2015 Annual General Meeting and remain the same as in previous years. For more information see note 3.

#### REMUNERATION TO THE EXECUTIVE MANAGEMENT

The process for determining the conditions for remuneration for the Executive Management are to be formalized and transparent and take up the relationship between fixed and variable remuneration, as well as taking into account the link between performance and remuneration.

## BOARD OF DIRECTORS

The Board of Directors consists of five members with Fredrik Svensson as Chairman.



**FREDRIK SVENSSON**

*Chairman since the 2011 Annual General Meeting 2011.*

*Director 2005–2011.*

Born 1961.

CEO of AB Arvid Svensson.

**Other board assignments:** Chairman of Case Investment AB, Chairman of Primelog Holding AB and Director Fastighets AB Balder (publ).

**Education:** Graduate in business administration.

**Shareholding in Klöver:**

13,299,733 Class A ordinary shares, 132,997,330 Class B ordinary shares and 685,122 preference shares through company, directly and indirectly.

Dependent in relation to a major shareholder.



**RUTGER ARNHULT**

*Director since 2009.*

Born 1967.

CEO of Klöver AB.

**Board assignments:** Chairman of M2 Asset Management AB, Vice-chairman of Tribona AB (publ.), director of Corem Property Group AB (publ.), Vytal Diagnostics AB, Locellus AB, and Arnia Holding AB.

**Education:** Graduate in business administration.

**Shareholding in Klöver:**

9,376,732 Class A ordinary shares, 85,173,646 Class B ordinary shares and 582,607 preference shares, via company, directly and indirectly.

Dependent in relation to the company, the executive management and a major shareholder.



**ANN-CATHRIN BENGTSON**

*Director since the 2011 Annual General Meeting.*

Born 1962.

Chairman of Aros Congress Center Holding AB.

**Other board assignments:** Director of Länsförsäkringar Bergslagen Director of Best Western Hotels, Director of Flyinge AB, and alternate director of Visita.

**Education:** Graduate in business administration.

**Shareholding in Klöver:** No shareholding.

Independent director.



**PIA GIDEON**

*Director since the 2013 Annual General Meeting.*

Born 1955.

**Other board assignments:** Svevia AB, Scandbook AB, Qlucore AB and E-vård AB.

**Education:** Graduate in business administration.

**Shareholding in Klöver:** No shareholding.  
Independent director.

**EVA LANDÉN**

*Director since the 2011 Annual General Meeting.*

Born 1965.

CEO of Corem Property Group AB (publ).

**Other board assignments:** Specialfastigheter AB.

**Education:** Graduate in business administration

**Shareholding in Klöver:** No shareholding.

Dependent in relation to the company, the executive management and a major shareholder.

## EXECUTIVE MANAGEMENT

The executive management consists of the CEO Rutger Arnhult and two executives with different areas of responsibility.



**RUTGER ARNHULT**

*CEO*  
Born 1967.  
Employed since 2012.

**Education:** Graduate in business administration.

**Board assignments:** Chairman of M2 Asset Management AB, Vice-chairman of Tribona AB (publ.), director of Corem Property Group AB (publ), Vytal Diagnostics AB, Locellus AB, and Arnia Holding AB.

**Shareholding in Klövern:**  
9,376,732 Class A ordinary shares,  
85,173,646 Class B ordinary shares and  
582,607 preference shares, via company,  
directly and indirectly.



**PEETER KINNUNEN**

*Head of Transactions*  
Born 1973.  
Employed since 2012.

**Education:** M. Sc in Engineering

**Previous employment:** COO Vanir Asset Management 2010–2012, Head of Transactions & Research Kungsliden AB 2007–2010.

**Board assignments:** None.

**Shareholding in Klövern:**  
2,145 preference shares via company and  
directly.



**SUSANNE ESSEHORN**

*Head of Real Estate*  
Born 1964.  
Employed since 2014.

**Education:** Graduate in business administration.

**Previous employment:** Head of Real Estate AB Sagax and CEO Söderport Holdings AB 2010–2014, Senior Asset Manager at GE Capital Real Estate 2006–2010.

**Board assignments:** None.

**Shareholding in Klövern:**  
650 preference shares.

**CEO**

Klövern's CEO is not entitled to variable remuneration. In addition to salary and a pension, the CEO's benefits in 2014 included health insurance, a company health promotion scheme, subsistence benefit and a company car, as well as a share in Klövern's profit-sharing foundation. While in the employment of the Company, the pension premium may amount to at most 35 per cent of the basic salary. The retirement age of the CEO is 65. In the event of termination at the Company's initiative, full salary and all benefits as described above are payable during the period of notice. The compensation is reduced by any income earned from any other employer. In the event of termination at the CEO's initiative, full salary and all benefits are payable during the period of notice while employment continues. The period of notice is twelve months if notice is given by the company and six months if notice is given by the CEO. No severance pay is paid.

**Remuneration to other senior executives**

Variable salary to Klövern's permanent senior executives may amount to at most the equivalent of three monthly basic salaries. Variable salary is based on outcome in relation to goals for operating surplus, net profit and net letting.

The pension premium may amount to at most 35 per cent of the basic salary. The retirement age is 65. The period of notice is 12 months if notice is given by the company and six months if notice is given by the employee. No severance pay is paid. Benefits in addition to salary and pension include health insurance, a company health promotion scheme, subsistence benefit, a share in Klövern's profit-sharing foundation and a company car.

**Other personnel**

The principle of market level competitive salaries also applies to other personnel. All personnel are covered by defined contribution pension schemes which are paid for by the company. Benefits in addition to salary and pension are health insurance, a company health promotion scheme, subsistence benefit and a share in Klövern's profit-sharing foundation. There is a collective agreement with the Swedish Building Maintenance Workers' Union. The company had 190 staff (189) at year-end 2014.

**Auditors**

The fee to auditors is set by the Annual General Meeting according to a proposal from the Nominations Committee. The 2014 Annual General Meeting decided that the fee should be paid in accordance with approved invoices. The fees for audit assignments totalled SEK 2,200 million (2.2) in 2014. Remuneration for other assignments totalled SEK 0.4 million.

**Profit-sharing foundation**

Klövern has a profit-sharing foundation which covers all employees that have been employed for a specific period according to the rules in the foundation's by-laws. The amount transferred to the foundation may be at most one price base amount per employee and is based on a combination of Klövern's profit, yield requirement and dividend to shareholders. At year-end 2014, the Foundation owned 481,000 Class A ordinary shares, 4,810,000 Class B ordinary shares and 15,012 preference shares in Klövern corresponding to 0.6 per cent of the total share capital and 0.6 per cent of the number of votes. SEK 9.455 million has been allocated to the foundation for the 2014 financial year including payroll tax.

Further information on remuneration is available in Note 3, on pages 96–97.

## REMUNERATION

Amount in SEK thousand	2014	2013
<i>Chairman of the Board</i>		
Fredrik Svensson	280	280
<i>Other directors</i>		
Ann-Cathrin Bengtsson	140	140
Eva Landén	140	140
Anna-Greta Lundh	–	35
Pia Gideon	140	105
<b>CEO</b>		
Basic salary	4,128	4,000
Variable salary	–	–
Benefits	192	164
<b>Deputy CEO (Jan.–Oct.)</b>		
Basic salary	1,280	3,128
Variable salary	–	146
Benefits	80	183
<b>Other senior executives</b>		
Basic salary	5,395	5,969
Variable salary	55	445
Benefits	484	511
<b>Other employees</b>		
Basic salary	87,168	85,553
Variable salary	885	100
Benefits	5,520	5,057
<b>TOTAL</b>	<b>105,887</b>	<b>105,956</b>
<i>Contractual pension costs (including Fora)</i>		
CEO	1,437	1,106
Deputy CEO (Jan.–Oct.)	445	1040
Other senior executives	1,396	2,145
Other employees	10,373	9,717
<b>TOTAL</b>	<b>13,651</b>	<b>14,008</b>
<i>Statutory social costs including payroll tax</i>		
Chairman of the Board	88	88
Other board members	133	132
CEO	1,711	1,576
Deputy CEO (Jan.–Oct.)	582	1,349
Other senior executives	2,106	2,706
Other employees	30,268	30,095
<b>TOTAL</b>	<b>34,888</b>	<b>35,946</b>

## INTERNAL GOVERNANCE AND CONTROL

Klövern encounters risks every day that can have an impact on its operations and ability to achieve the set goals. Good internal governance and control is required to limit these risks.

**The Board's responsibility for financial reporting**

According to the Companies Act and the Swedish Code of Corporate Governance, the Board bears ultimate responsibility for the company having good internal control and for ensuring that the financial reporting complies with the applicable requirements. The processes for handling internal control, financial management and management within the company are based on the framework for COSO, the Committee of Sponsoring Organizations of the Treadway Commission, to sort and structure the organization's risks. Besides the impact of legislation, regulatory frameworks and recommendations, processes are governed to a large extent by internal policies and guiding documents. Internal control affects all functions in the company and includes risk assessment and routines as well as following up goals.

**The control environment**

The control environment and control measures ensure the effectiveness of the company and serve as the basis for internal control. The control environment provides understanding for the company's values at the same time as it secures compliance with policies and goal fulfilment. The formal decision-making procedure is based on the division of responsibility between the Board and the CEO and includes rules of procedure for the Board and instructions to the CEO. Overarching policies are continuously updated and confirmed by the Board once a year. During the year, the Board has adopted the following policies:

- > Financial policy
- > Information and IR policy
- > Equality plan
- > Procurement of goods and services from closely linked companies
- > Sustainability plan
- > IT policy
- > Crisis management policy

Important processes, in addition to financial reporting, such as accounting instructions, project administration and rental administration are laid down in separate documents, which

are evaluated and developed continuously in accordance with changes in laws, recommendations, risks and procedures. These documents provide support and guidance and include both decision-making processes for every individual member of staff and include both decision-making paths and allocation of responsibility, methods of approach and powers.

#### **Risk assessment and control activities**

The extent and assessment of the company's risk management as a whole and financial reporting in particular is undertaken continuously by the executive management, the Board and the auditors. The Finance Department and the Real Estate Department work alongside one another and conduct continuous follow-ups and analyses at group, subsidiary and property level of result, balance and verification levels to ensure compliance with the guidelines. A limited number of people are authorized to sign for the company and attestation rules have been drawn up.

The Group's operations, financial administration and management are audited twice a year by the company's auditors who report their observations and any comments directly to the Board. Klöver's IT environment maintains a high level of security, accessibility and effectiveness.

The policies for accounting, reporting and audit comments are reviewed in connection with the ordinary audit of the annual accounts.

#### **Information and communications**

External information is managed in accordance with the information and IR policy adapted to the regulatory framework of Nasdaq Stockholm and the Swedish Code of Corporate Governance and communicated through press releases and the website.

The executive management's internal information is communicated mainly through the executive management group's minuted meetings. Communication in the company

takes place, for instance, through regular conferences and meetings with those responsible for the respective business units and other managers. Relevant internal and external information is provided continuously to the staff concerned. Internal information is largely communicated through the company's intranet. The main purpose of the intranet is to provide staff with a structured holistic picture of the operations and to provide an easily accessible platform from which current information and documentation can be obtained.

#### **Follow-up**

Financial follow-up takes place quarterly of all business units and companies and at group level. The follow-up takes place in relation to the budget and forecast according to a tried and tested model. The result is analyzed by the business unit, the real estate and finance departments and the regional manager responsible for performance. Reports are submitted to the executive management, the Board and the auditors.

#### **Internal audit**

Klöver has a decentralized and transparent organization where financial activities, economic and rental administration, as well as external and the major part of internal information are largely dealt with by the service and head office. Follow-up of the result and balance is undertaken each quarter by both the individual functions and by the business units, the executive management and the Board. Clear documentation through policies and instructions accompanied by recurrent follow-ups and regular discussions with auditors ensure the correctness of the processes. Management and reporting are examined formally by the Company's auditors twice a year and the outcome is reported to the Board. Based on the above, it is not considered that there is any need for internal audit. Detailed information on Klöver's risk assessment, exposure and management is contained in the section Risk and sensitivity on pages 64–67.

# ARTICLES OF ASSOCIATION

For Klöver AB (publ), 556482-5833

## 1 NAME

The Company's name is Klöver AB. The Company is a public company (publ).

## 2 REGISTERED OFFICE

The registered office of the Company shall be located in Nyköping. General meetings of the shareholders may be held in Nyköping or Stockholm.

## 3 OBJECTS

The objects of the Company are, directly or indirectly through subsidiaries, to acquire, own, manage, develop and sell real estate, and to conduct business compatible therewith.

## 4 SHARE CAPITAL

The share capital shall be not less than SEK one billion, six hundred million (SEK 1,600,000,000) and not more than SEK six billion, four hundred million (SEK 6,400,000,000).

## 5 SHARES

### 5.1 Number of shares and classes of shares

There shall be no fewer than eight hundred million (800,000,000) shares and no more than three billion, two hundred million (3,200,000,000) shares.

Shares may be issued in three classes: ordinary shares of Class A and B, as well as preference shares. Ordinary shares and preference shares may be issued in an amount not exceeding 100 per cent of the share capital. Ordinary shares of Class A each carry one vote, and ordinary shares of Class B and preference shares each carry one-tenth of a vote.

### 5.2 Dividends

The preference shares carry a right of priority over the ordinary shares to an annual dividend of SEK twenty (20) per share, payable quarterly in the amount of SEK 5.00 per share. Record dates for the payments shall be the last weekday in the months of June, September and December after the annual general meeting, and in the month of March in the year following the annual general meeting.

In the event no dividend is issued to the holders of preference shares, or where only a dividend of less than SEK twenty (20) per preference share is issued during one or more years, the preference shares shall carry a right also to receive, from disburseable funds in subsequent years, Withheld Amounts as defined below (including Recalculation Amounts on Withholding Amounts, as defined below), before any dividend is issued on the ordinary shares. In the event no dividend is issued, or where only a dividend of less than SEK twenty (20) per preference share is issued during one or more years, the subsequent year's annual general meeting shall be required to adopt a resolution regarding allocation of the quarterly disbursement of Withheld Amounts. The preference shares shall otherwise carry no entitlement to dividends.

Each individual quarter, the difference between SEK 5.00 and the dividend paid per preference share shall be added to "Withheld Amounts" (assuming that, at an annual general meeting, a resolution was adopted to issue a dividend of less than SEK twenty (20)). In the event dividends on preference shares are issued in accordance with a resolution adopted at a general meeting other than an annual general

meeting, the amount paid per preference share shall be deducted from Withheld Amounts. The deduction shall take place as of the day on which payment takes place to holders of preference shares and shall thereupon be deemed to constitute settlement of the part of any Withheld Amount which arose first. Withheld Amounts shall be recalculated upwards by a factor corresponding to an annual rate of interest of eight (8) per cent (the "Recalculation Amount"), in which context recalculation shall take place commencing the quarterly date on which payment of the dividend occurred (or should have occurred, in the event no dividend at all is paid out), based on the difference between SEK 5.00 and the dividend paid per preference share on the same quarterly date. In the event such calculation takes place on a date other than a complete year calculated from the day on which any addition to or deduction from Withheld Amounts has taken place, recalculation of amounts added or deducted shall take place in an amount corresponding to the recalculation factor multiplied by the portion of the year that has elapsed. Accrued Recalculation Amounts shall be added to Withheld Amounts and shall thereafter be included in the calculation of the Recalculation Amount.

### 5.3 New issues

In conjunction with any increase in the share capital through a cash issue or debt/equity swap, the shareholders shall hold pre-emption rights to subscribe for the new shares in such a manner that one old share carries a pre-emption right to one new share of the same class; that shares which are not subscribed for by shareholders primarily entitled to subscribe shall be offered to all shareholders; and that, in the event the entire number of shares subscribed for pursuant to the last-mentioned offering cannot be issued, the shares shall be allotted among the subscribers pro rata to the number of shares held prior thereto and, in the event this cannot take place, through the drawing of lots.

In conjunction with any increase in the share capital through a cash issue or debt/equity swap involving only one class of shares, the shareholders shall only enjoy pre-emption rights to the new shares pro rata to the number of shares of the same class held prior thereto. The provisions above shall not entail any restriction on the possibility to adopt resolutions regarding a cash issue or debt/equity swap disapplying the shareholders' pre-emption rights.

In the event the Company decides to issue subscription warrants or convertible debentures through a cash issue or debt/equity swap, the shareholders shall enjoy pre-emption rights to subscribe for warrants or convertible debentures as if the issue applied to the shares which may be subscribed for pursuant to the warrant or in exchange for the convertible debentures.

Any increase in the share capital through a bonus issue may only take place through the issuance of ordinary shares, whereupon – in the event both ordinary shares of Class A and Class B have previously been issued – the relationship between ordinary shares of Class A and Class B issued through the bonus issue, and already issued ordinary shares of Class A and Class B, shall remain unchanged. In this context, only holders of ordinary shares shall be entitled to the new shares. Where both ordinary shares of Class A and Class B have been issued, the bonus shares shall be allotted among the holders of the ordinary shares pro rata to the number of ordinary shares of the same class held prior thereto. However, bonus issues may also take place through the issuance of preference shares to the holders of ordinary shares, whereupon the bonus shares shall be allotted among the holders of ordinary shares pro rata to the total number of ordinary shares held prior thereto. The provisions above shall

not entail any restriction on the possibility to issue a new class of shares, following requisite alteration to the articles of association.

#### 5.4 Redemption

Commencing 2015, following adoption of a resolution at a general meeting the share capital may be reduced (however, not below the minimum share capital) through the redemption of preference shares in accordance with the following principles.

The general meeting shall decide the number of preference shares to be redeemed each time. The specific preference shares to be redeemed shall be determined through the drawing of lots. However, where the resolution is supported by all holders of preference shares, the general meeting may decide which preference shares shall be redeemed.

Any holder of a preference share determined for redemption shall be obliged, three months after being notified of the redemption resolution, to accept payment for the share in an amount calculated as the total of SEK 350 plus any Withheld Amount in accordance with section 5.2 (including any Recalculation Amount on such Withheld Amount up to and including the day on which the redemption amount falls due for payment). All interest calculation shall cease on the day on which the redemption amount falls due for payment.

#### 5.5 Dissolution of the Company

In the event of dissolution of the Company, the holders of preference shares shall be entitled to receive from the Company's net assets SEK 300 per share as well as any Withheld Amount in accordance with section 5.2 (including any Recalculation Amount on such Withheld Amount), prior to any distribution to the holders of the common shares. The preference shares shall otherwise carry no entitlement to any share in the distribution of assets.

#### 5.6 Conversion clause

Upon request by the holders of ordinary shares of Class A, such shares shall be converted into ordinary shares of Class B. A request for conversion must be made in writing to the board of directors, stating the number of ordinary shares of Class A to be converted into ordinary shares of Class B and – in the event the request does not cover the entire holding – the ordinary shares of Class A to which the conversion relates. Such a request must be presented to the board of directors and have reached the board of directors during the month of January or July. The board of directors shall give notice of the conversion to the Swedish Companies Registration Office as soon as possible for registration in the companies register. The conversion is executed when registration has taken place and been noted in the record day register.

#### 6 THE BOARD OF DIRECTORS

The board of directors shall comprise no fewer than four members and no more than eight members.

#### 7 AUDITORS

The Company shall have one or two auditors and an equivalent number of alternative auditors, or one or two registered accounting firms.

#### 8 FINANCIAL YEAR

The Company's financial year shall be the calendar year.

#### 9 NOTICE

Notice to attend general meetings shall be given through an announcement in the Official Gazette (Post- och Inrikes Tidningar) and on the Company's website. Information that notice has been given shall be provided in an announcement in Svenska Dagbladet.

#### 10 SHAREHOLDERS' ENTITLEMENT TO PARTICIPATE AT GENERAL MEETINGS

Shareholders who wish to participate in the proceedings at a general meeting must be entered in a printout or other presentation from the entire share register regarding circumstances pertaining five weekdays prior to the general meeting, and must have notified the Company of their participation not later than 12 noon on the date stated in the notice to attend the general meeting. Such a day may not be a Sunday, other public holiday, Saturday, Midsummer Eve, Christmas Eve or New Year's Eve, and may not occur earlier than the fifth weekday prior to the general meeting.

#### 11 PRESENCE OF OUTSIDE PARTIES AT GENERAL MEETINGS

A person not entered in the share register shall be entitled to be present at a general meeting, subject to the conditions determined by the board of directors.

#### 12 ANNUAL GENERAL MEETING

The following business shall be addressed at annual general meetings:

1. election of a chairman of the meeting;
2. preparation and approval of a voting register;
3. election of one or two persons to attest the minutes;
4. determination of whether the meeting has been duly convened;
5. approval of the agenda;
6. presentation of the annual report and the auditor's report and, where appropriate, consolidated financial statements and the auditor's report for the group;
7. resolutions regarding:
  - a) adoption of the income statement and balance sheet and, where appropriate, the consolidated income statement and consolidated balance sheet;
  - b) allocation of the Company's profits or losses in accordance with the adopted balance sheet,
  - c) discharge from liability for the directors and CEO;
8. determination of the number of directors, as well as auditors and deputy auditors or registered accounting firms;
9. determination of fees for the board of directors and auditors;
10. election of directors and a chairman of the board of directors;
11. election of auditors and deputy auditors or registered accounting firms;
12. resolution regarding guidelines for remuneration to executive management;
13. resolution regarding the nominations committee;
14. other business incumbent on the general meeting in accordance with the Swedish Companies Act or the articles of association.

#### 13 RECORD DAY PROVISION

The Company's shares shall be registered in a record day register pursuant to the Financial Instruments Accounts Act (1998:1479). These articles of association were adopted at an extraordinary general meeting held on 22 October 2014.