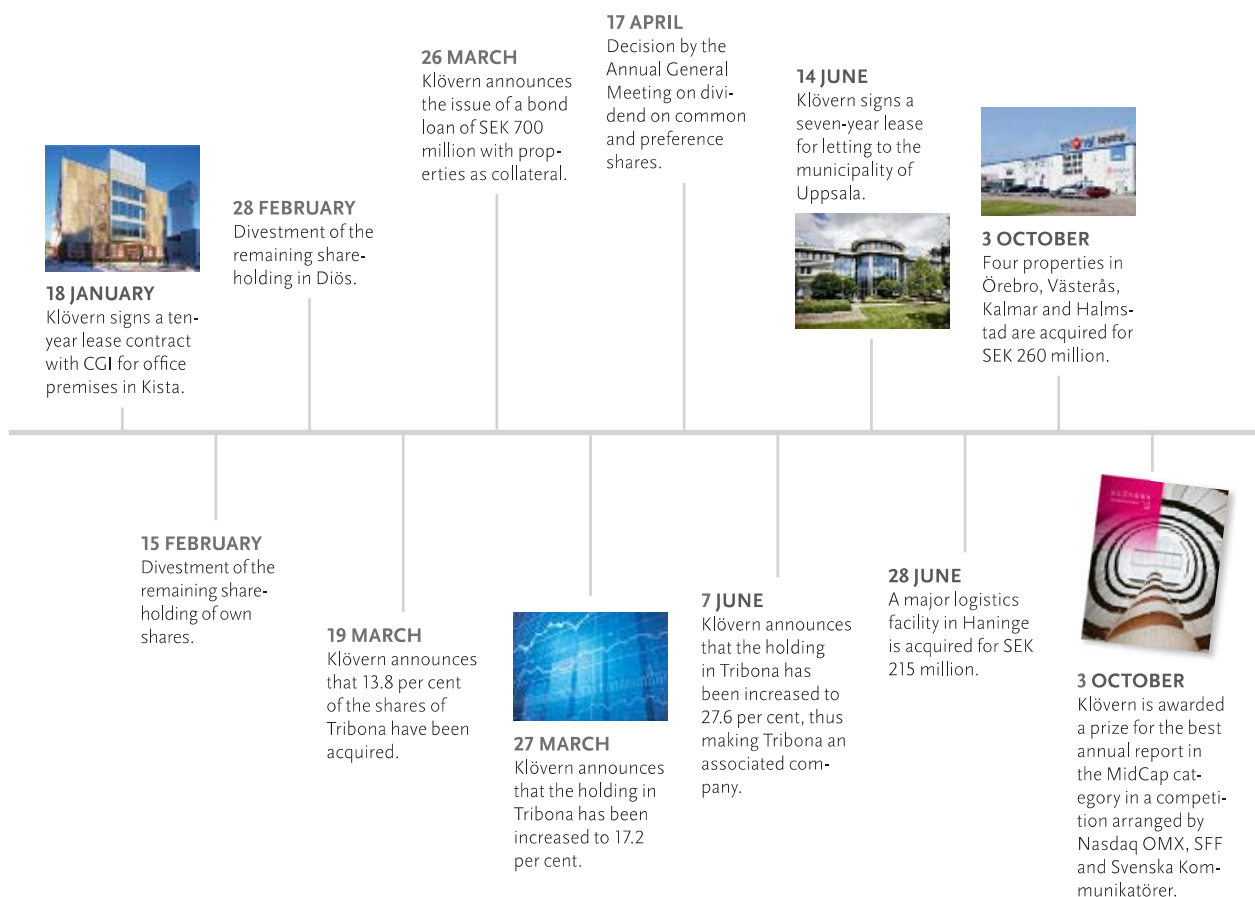


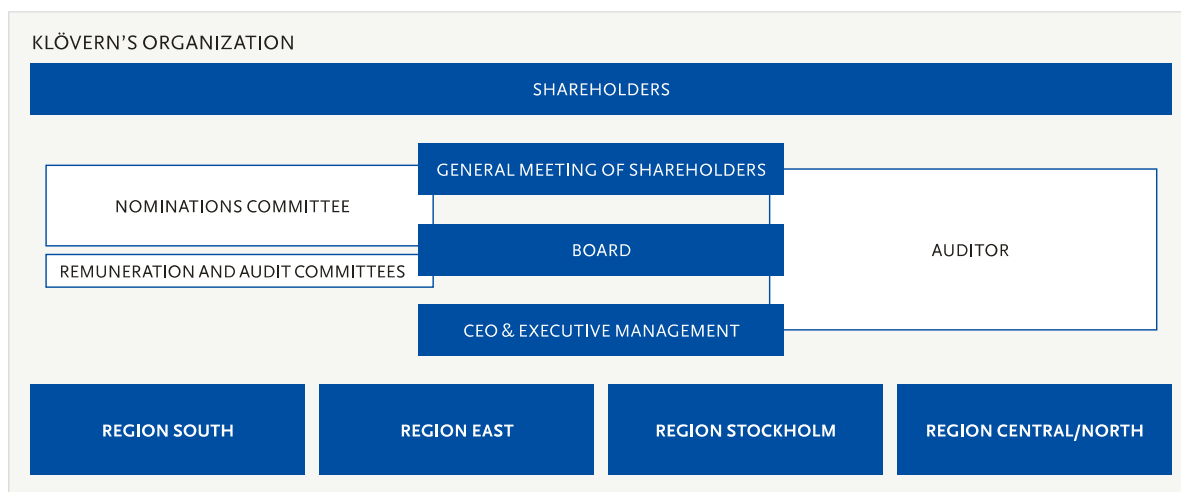
# CORPORATE GOVERNANCE REPORT 2013

Klövern AB is a Swedish public real estate company which is listed on NASDAQ OMX Stockholm Mid Cap. 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 reports on Klöverns corporate governance in the 2013 financial year.

## IMPORTANT EVENTS

- > Dividend of SEK 1.50 per common share and SEK 10.00 per preference share decided upon for the 2012 financial year.
- > Divestment of the whole own shareholding of 5,000,000 common shares.
- > Divestment of the whole remaining shareholding in the real estate company Diös after a good increase in value.
- > Acquisition of shares in the real estate company Tribona, corresponding to 29.8 per cent of the equity and votes. The holding is reported as participation rights in an associated company as from 7 June 2013.
- > Issue of a five-year covered bond of SEK 700 million.





### 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. The design of Klöver's corporate governance, management and control is based on legislation, the regulatory framework of NASDAQ OMX 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 the 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".

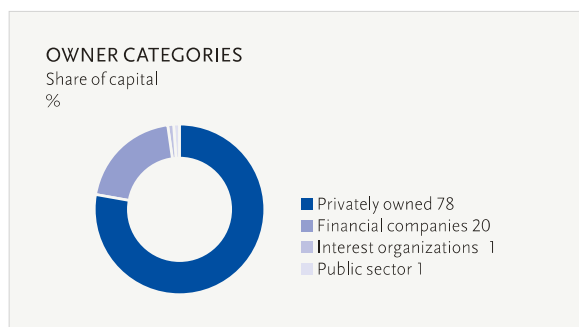
The auditors and the Board meet on at least one occasion without the CEO or another representative of the company being present. The company's auditors take part in two board meetings during the year and present their findings and any points of view arising in connection with the audit.

#### Articles of Association

The Articles of Association, adopted by a general meeting of shareholders, together with current legislation, specifies the business and governance of the company. Klöver AB is a Swedish public limited liability company, listed on NASDAQ OMX Stockholm Mid Cap with corporate ID number 556482-5833, and with its registered office at Nyckelvägen 14 in Nyköping and its head office at Bredgränd 4, Stockholm.

Klöver's business activities are to, directly or indirectly through subsidiaries, own, manage, develop and sell properties as well as engaging in compatible activities. Shares can be issued in two series, common shares and preference shares. A common share confers one vote and a preference shares confers one-tenth of a vote.

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 at the earliest six weeks and at the latest four weeks prior to the meeting. Notice of other extraordinary shareholders meetings shall be given at the earliest six weeks and at the latest two weeks prior to the meeting.

**The share and ownership**

Since 2003, the Klöver share has been listed on NASDAQ OMX Stockholm MidCap. At year-end 2013, there were 166,544,360 registered shares (166,544,360), each share conferring one vote in the company, held by 29,727 shareholders (26,567). The share price of the common share was SEK 28.50 (25.60) as at 31 December 2013. At year-end 2013, there were a total of 18,536,338 preference shares (18,536,338), each conferring one-tenth of a vote, distributed among 20,444 shareholders (20,427). The share price of the preference share was SEK 150.00 (136.75) as at 31 December 2013. The capitalization, based on the total number of outstanding shares, was SEK 7,527 million (6,670) at year-end 2013. The share capital amounted to SEK 925 million (925). 83 per cent (82) of the share capital was Swedish-owned.

The company has two shareholders with a shareholding of over 10 per cent of the capital, Corem Property Group and Arvid Svensson Invest. The ten largest shareholders together represented 63 per cent (59) of the total number of outstanding shares at year-end. During 2013, 74.2 million shares (73.7) were traded and 10.0 million (9.5) preference shares. The price of the common share rose by 11 per cent (-1) during the year. The price of the preference share rose by 10 per cent (6) during 2013. More information about shareholding in Klöver and a list of the largest shareholders can be found on pages 58–62.

**SHARE REPURCHASE AND DIVIDEND**

At year-end, Klöver no longer had any repurchased common or preference shares. At the beginning of the year, Klöver had 5,000,000 repurchased common shares, cor-

responding to 3.0 per cent of the total number of registered shares, which do not confer voting rights or entitlement to dividend. Repurchases took place in 2007, 2008 and 2012. Klöver has been authorized by the 2013 Annual General Meeting to repurchase at most 10 per cent of the total number of registered shares in the period until the 2014 Annual General Meeting.

According to the goals in the business plan, dividend shall exceed 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 nine years, Klöver has, including proposed dividend to common shares and preference shares to the Annual General Meeting, distributed to Klöver's shareholders an average of 62 per cent of the profit from property management.

**NOMINATIONS COMMITTEE****THE COMPOSITION OF THE NOMINATIONS COMMITTEE**

The composition of the Nominations Committee is decided upon by the General Meeting of Shareholders. It shall be representative of the owners of the company and prepare the decisions at the general meeting. The Nominations Committee shall 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 2013 Annual General Meeting decided that the Nominations Committee should be appointed annually, in accordance with unchanged principles, and consist of the Chairman of the Board, a representative of the four largest shareholders in the company as at the last day of trading in September the year prior to the Annual General Meeting. No compensation was 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 12. The Nominations Committee has had two meetings during 2013. The Nominations Committee has focused on matters relating to evaluation of the Board, the number of directors and the competence of the Board.

THE COMPOSITION OF THE NOMINATIONS COMMITTEE  
PRIOR TO THE 2014 ANNUAL GENERAL MEETING

Representative	Shareholder	Shareholding as at 30 September 2013, %
Lars Höckenström	Corem Property Group AB	19.1
Rikard Svensson	Arvid Svensson Invest AB	15.9
Mia Arnhult	Rutger Arnhult through Company	10.2
Eva Gottfridsdotter Nilsson	Länsförsäkringar	9.6
Fredrik Svensson	Chairman of the Board	–
THE FOUR LARGEST OWNERS		54.8

## 2013 ANNUAL GENERAL MEETING

Klövern's Annual General Meeting for 2013 was held on 17 April at the World Trade Center, Stockholm. The meeting was attended by 95 people, including shareholders, the Board, representatives, assistants, analysts and guests. Besides shareholders, the meeting was attended by around twenty other people including directors, auditors, representatives, assistants and guests. Together, these represented 66 per cent (63) 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 common share and SEK 10.00 per preference share
- > re-election of directors Fredrik Svensson, Rutger Arnhult, Ann-Cathrin Bengtson, and Eva Landén and new election of Pia Gideon. Anna-Greta Lundh declined re-election.
- > re-election of Fredrik Svensson as Chairman of the Board
- > reappointment of auditor
- > 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
- > authorization for the Board to decide on new issue of common and preference shares.

Minutes of all Annual General Meetings are available (in Swedish) on Klöverm's website, [www.klovern.se](http://www.klovern.se). The 2014 Annual General Meeting will be held at Kistamässan, Stockholm at 4 pm on 23 April 2014.

## THE BOARD OF DIRECTORS

## THE RESPONSIBILITY OF THE BOARD OF DIRECTORS

The Board has the overall responsibility for the company. It is elected at the Annual General Meeting after 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 regulated by the Companies Act, the Articles of Association, the Swedish Code of Corporate Governance and the formal work plan of the Board. The Board shall have a size and composition that ensures its ability to manage the company's business with integrity and efficiency.

## Composition

According to the Articles of Association, Klöverm's Board of Directors shall consist of at least four and at most eight members. After the 2013 Annual General Meeting, the Board consisted of five directors, Fredrik Svensson (chairman), Rutger Arnhult (CEO), Ann-Cathrin Bengtsson, Eva Landén and Pia Gideon.

## THE COMPOSITION OF THE BOARD OF DIRECTORS DURING 2013

Director	Elected/resigned	Independent	No. of board meetings attended	Fee, SEK 000s	Shareholding <sup>1</sup> , % of equity	Shareholding <sup>4</sup> , % of votes
Fredrik Svensson, Chairman <sup>1</sup>	2005	No	16/16	280	15.0	15.9
Rutger Arnhult, CEO <sup>1,2</sup>	2009	No	16/16	–	9.8	10.8
Ann-Cathrin Bengtson	2011	Yes	14/16	140	–	–
Eva Landén <sup>1</sup>	2011	No	15/16	140	–	–
Pia Gideon	2013	Yes	10/10	105	–	–

## TOTAL SHAREHOLDING

Anna-Greta Lundh <sup>3</sup>	2003/2013	Yes	6/6	35		
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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 via companies, owns shares corresponding to 37.7 per cent of the voting rights in Corem Property Group. Source: Corem's Year-end report 2013

3) Declined re-election at the Annual General Meeting in 2013.

4) Direct or indirect shareholding in the company as at year-end 2013/14.

**INDEPENDENCE**

According to the Swedish Code of Corporate Governance and NASDAQ OMX Stockholm, the majority of the directors elected by the Annual General Meeting shall 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 shall also be independent in relation to the company's major shareholders. To determine the independence of a director, the Nominations Committee shall make an overall assessment of all circumstances that may call into question the independence of a director. The result of the considerations made by the Nomination Committee shall 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 2013, two of these, Ann-Cathrin Bengtson and Pia Gideon are also independent in relation to the major shareholders.

**Formal work plan****THE CHAIRMAN OF THE BOARD**

The Chairman of the Board is elected at the Annual General Meeting, after a proposal by the Nominations Committee, and is responsible for leading the work of the Board efficiently, as well as acting as a discussion partner and support for the CEO. The Chairman shall 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 formal work plan
- > ensure that directors receive the requisite training and information to be able to analyse the company's financial position, strategy, planning and development
- > carrying out an annual evaluation of the Board's work
- > appoint a Nominations Committee at the instruction of the Annual General Meeting and participate in this committee.

The work of the Board takes place in accordance with a formal work plan of the Board of Directors which is adopted at the first ordinary board meeting after the Annual General Meeting. The formal work plan includes instructions on 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 on the agenda at every ordinary meeting. Other matters such as strategy and future-related matters, risk management, important policies, audit, the budget, internal management

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

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

In the event of the Board appointing committees, the formal work plan shall 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 directors. The majority of the 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 shall 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 shall prepare 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 2013. These meetings have dealt with matters such as remuneration and bonuses for the Executive Management.

**The work of the Board during 2013**

The work of the Board is evaluated annually by a systematic and structured process. The intention is to develop the forms of work and effectiveness of the Board. The result of the evaluation is presented to the Nominations Committee. The outcome for 2013 showed that the Board had performed well.

During 2013, there have been five (5) ordinary meetings, one (1) meeting following election, five (6) meetings with decisions by circulation and 5 (23) extraordinary meetings, making a total of 16 meetings (35). The ordinary meetings have complied with the calendar for the set work order for the respective meeting. According to the calendar, a report is to be made at each 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 focusing 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 Klöver's Board since the 2011 Annual General Meeting.

#### AUDITORS

Ernst & Young AB was elected as the company's auditor at the 2013 Annual General Meeting for the period until the 2014 Annual General Meeting. Authorized public accountant Mikael Ikonen, is auditor-in-charge at Klöver AB. According to the Articles of Association, the auditors are elected annually.

The commission 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. The auditors shall, unless specifically decided otherwise, 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 reports, which are considered annually by the Board. The reporting to the Board shall state, among other things, whether Klöver is organized in such a way as to enable the accounts, financial management and financial circumstances otherwise to be checked in a satisfactory way.

#### THE GROUP

The Group structure of Klöver AB consists of the parent company Klöver AB and 22 directly owned subsidiaries (21). All activity takes place in Sweden in 17 business units. The cities are grouped in four regions, Stockholm, Central/North, East and South, in order, amongst other things, to share leading-edge expertise in project work and letting.

#### 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. There are six persons in the Executive Management besides the CEO, who are each responsible for particular areas.

#### The work of the Executive Management during 2013

The Executive Management has had 5 minuted meetings (13) during 2013. 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

Göran Joneskär joined the executive management in 2013 as acting head of the South Region, when Per Johansson, head of the South Region, left the executive management to take up a position as CEO of Tribona AB. Britt-Marie Nyman, deputy CEO, finance and IR manager, left the executive management in 2013 to go over to her own business.

#### 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, the deputy CEO and other members of the executive management. 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 committees are proposed by the Nominations Committee and decided upon by the Annual General Meeting. The Board's proposals to the 2014 Annual General Meeting concerning the principles for remuneration and terms of employment are unchanged from the previous year. Please see Note 3 for further information.

#### BOARD FEES

In 2013, the Board received a total of SEK 700,000 (770,000) for distribution among its members, excluding the CEO. The Board consisted of five people during 2013. The fee for the Chairman of the Board was SEK 280,000 (280,000) and SEK 140,000 (140,000) per member and year for the other members.

#### MIKAEL IKONEN

Born 1963. Authorized public accountant since 1996, employed by Ernst & Young AB since 1988.

**Other assignments:** NPF Sweden Holding AB, Corem Property Group, Tribona AB, Hemsö Fastighets AB, Fortin Properties AB, 11 Real Asset Fund AB, AlpCot Agro AB, Cramo Holding AB, Nolitnac Holding AB, Unibail Rodamco AB and SFF Real Estate AB.

**Shareholding in Klöver:**  
No shareholding.



## 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.*

*Director 2005–2011.*

*Born 1961.*

*CEO of AB Arvid Svensson.*

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

**Education:** Graduate in business administration.

**Shareholding in Klöver:** 26,599,466 common shares and 1,180,245 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:** 18,150,000 shares and 42,714 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 Holding AB.

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

**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:** None.

**Education:** Graduate in business administration.

**Shareholding in Klöver:** No shareholding.

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

**PIA GIDEON**

*Director since the 2013 Annual General Meeting.*  
Born 1955.

**Other board assignments:** Svevia AB, Scandbook AB, Qlucore AB, Gaialeadership AB.

**Education:** Graduate in business administration.

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



## EXECUTIVE MANAGEMENT

The executive management consists of the CEO Rutger Arnhult and an additional six 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 Klöver:**  
18,150,000 shares and 42,714 preference shares, via company, directly and indirectly.



**ELISABETH NORLING**

*Personnel manager*  
Born 1964.  
Employed since 2007.

**Previous employment:** Head of business area and recruitment consultant, Proffice 2005–2007.

**Education:** Graduate in business administration.

**Board assignments:** None.

**Shareholding in Klöver:**  
No shareholding.



**MATTIAS RICKARDSSON**

*Chief Financial Officer*  
Born 1974.  
Employed since 2003.

**Previous employment:** Subsidiary controller, Österströms Rederi AB, 1999–2003.

**Education:** University studies in Economics.

**Board assignments:** None.

**Shareholding in Klöver:**  
No shareholding.

**PG SABEL**

*Head of Stockholm Region,  
Deputy CEO.*  
Born 1964.  
Employed since 2007.

**Previous employment:**  
Head of project development, AP  
Fastigheter 2000–2007.

**Education:** M.Sc. (Engineering).

**Board assignments:** None.

**Shareholding in Klövern:**  
5,000 common shares and  
125 preference shares.

**HANS LINDH**

*Head of Central/North Region.*  
Born 1966.  
Employed since 2010.

**Previous employment:**  
Property Manager and Head  
of Asset Management, ICA  
Fastigheter 2009–2010.

**Education:** University studies in  
Economics.

**Board assignments:** None.

**Shareholding in Klövern:**  
No shareholding.

**MIKAEL FORKNER**

*Head of East Region.*  
Born 1960.  
Employed since 2010.

**Previous employment:** Property  
manager Stockholm City Real  
Estate Administration 2005–2010.

**Education:** Bachelor of Laws.

**Board assignments:** None.

**Shareholding in Klövern:**  
No shareholding.

**GÖRAN JONESKÄR**

*Acting Head of South Region.*  
Born 1957.  
Employed since 2010.

**Previous employment:**  
Property Manager, Dagon  
2010–2012.

**Education:** Upper Secondary  
School Engineer.

**Board assignments:** None

**Shareholding in Klövern:**  
300 common shares,  
70 preference shares.

**REMUNERATION TO THE EXECUTIVE MANAGEMENT**

The process for determination of the conditions for remuneration to the Executive Management shall 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.

**CEO**

Klövern's CEO is not entitled to variable remuneration. In addition to salary and a pension, the CEO's benefits in 2013 include health insurance, a 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 Deputy CEO and other senior executives**

Variable salary to Klövern's deputy CEO and the other four regular 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 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 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 grant for keep-fit activities and a 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 189 staff (185) at year-end 2013.

**Auditors**

The fee to auditors is set by the Annual General Meeting according to a proposal from the Nominations Committee. The 2013 Annual General Meeting decided that the fee should be paid in accordance with approved invoices. The fees for audit assignments totalled SEK 2,2 million (2.8m) in 2013. Remuneration for other assignments totalled SEK 0.9 million, which has been charged to earnings for 2013.

**Incentive Programmes**

No variable salary is paid to the CEO. Variable salary for the Deputy CEOs and other senior executives amounted to 1.2 monthly salaries in 2013. In all, the variable remuneration of the senior executives totalled SEK 0.6 million (0.9), which has been charged to earnings for 2013.

**Profit-sharing foundation**

Klövern has a profit-sharing foundation which covers all employees that have been employed during a particular period. 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, required yield and dividend to shareholders. At year-end 2013, the Foundation owned 936,000 common shares (981,000) and 18,025 preference shares (18,025) in Klövern corresponding to 0.5 per cent of the total share capital and 0.6 per cent of the number of votes. SEK 9,715,000 has been paid to the foundation for the 2013 financial year.

Further information on remuneration is available in Note 3, on pages 94–95 of the 2013 Annual Report.

## REMUNERATION

Amount in SEK 000s	2013	2012
<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	140
Pia Gideon	105	
Erik Paulsson		35
Gustaf Hermelin		35
<i>CEO</i>		
Basic salary	4,000	3,016
Variable salary	0	0
Benefits	164	162
<i>Deputy CEOs (2 persons)</i>		
Basic salary	3,128	3,323
Variable salary	146	337
Benefits	183	172
<i>Other senior executives (5 persons)</i>		
Basic salary	5,969	5,766
Variable salary	445	514
Benefits	511	471
<i>Other employees</i>		
Basic salary	85,553	75,840
Variable salary	100	0
Benefits	5,057	4,084
<b>TOTAL</b>	<b>105,956</b>	<b>94,455</b>
<i>Contractual pension costs (including Fora)</i>		
CEO	1,106	1 068
Deputy CEOs (2 persons)	1 040	988
Other senior executives (5 persons)	2,145	1,663
Other employees	9,717	7,898
<b>TOTAL</b>	<b>14,008</b>	<b>11,617</b>

Amount in SEK 000s	2013	2012
<i>Statutory pension costs (including wages tax)</i>		
Chairman of the Board	88	88
Other board members (4 persons)	132	124
CEO	1,576	1,258
Deputy CEOs (2 persons)	1,349	1,443
Other senior executives (5 persons)	2,706	3,127
Other employees	30,095	25,710
<b>TOTAL</b>	<b>35,946</b>	<b>31,750</b>
<i>Salaries, fees, benefits and social security contributions, Dagon's board</i>		
Dagon's board (6 persons)	0	1,097
<b>TOTAL</b>	<b>0</b>	<b>1,097</b>
<b>GRAND TOTAL</b>	<b>155,910</b>	<b>138,919</b>

## INTERNAL GOVERNANCE AND CONTROL

Klöver encounters risks every day that can have an impact on business and the 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, which has been produced as an aid 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 the formal work order 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
- > IT policy
- > Environmental policy
- > Crisis and disaster plan
- > Equality plan

Important processes, in addition to financial reporting, such as accounting instructions, project administration and rental administration are established 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 made continuously by the executive management, the Board and the auditors. The Finance Department and the Real Estate Department work alongside one another and make continuous follow-ups and analyses at the group, subsidiary and property level at the result, balance and verification level 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 has a high level for 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**

The external information is taken care of in accordance with the information and IR policy adapted to the regulatory framework of NASDAQ OMX 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, in among ways, by regular conferences and meetings with those responsible for the respective business unit 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 activity and serve as an easily available platform from which to obtain current information and documentation.

**Follow-up**

Financial follow-up shall take place quarterly by 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 analysed by the business unit, the real estate and finance departments and the regional manager responsible for performance. Reporting is made 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 mainly taken care of by the service and head office. Follow-up of the result and balance is made quarterly 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 of the 2013 Annual Report.