

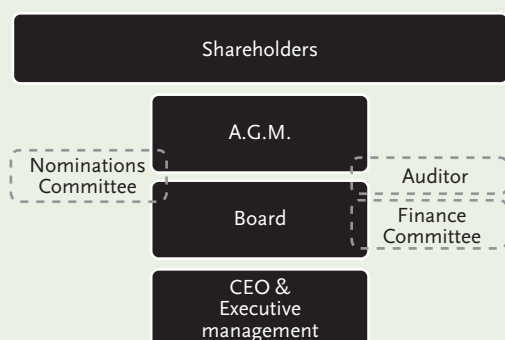
Corporate Governance Report

Klövern is a Swedish public limited real estate company which shall with availability and commitment meet the customers' needs of premises and services in Swedish growth regions. The Corporate Governance Report reports on Klöverns corporate governance in the 2009 financial year.

This Corporate Governance Report has not been examined by the company's external auditors. The report is not part of the formal annual financial statements.

CORPORATE GOVERNANCE

Corporate governance defines the decision-making system used by the owners, directly and indirectly, to manage the company. For the system to function optimally, clear information must be provided to the shareholders and the stock market. The design of corporate governance depends on legislation, the regulatory framework of Nasdaq OMX Stockholm, self-regulation in accordance with the Swedish Code of Corporate Governance as well as external and internal guiding documents.



Articles of Association

The articles of association, adopted by the annual general meeting of shareholders, is a key document for corporate governance.

The name of the parent company is Klöver AB. The company is listed on Nasdaq OMX Stockholm's list for medium-sized companies. The company's business activities consist of owning and selling real estate companies, as well as compatible activities. The registered office of the company is in Nyköping in the county of Södermanland, and shareholders' meetings may be held in Nyköping or in Stockholm. The company registration number is 556482-5833. The company's financial year is the calendar year.

Klövern's Articles of Association is available on page 101 and on Klöverns website, www.klovern.se.

Shareholders' meeting

The general meeting of the shareholders is the highest decision-making body of a limited company. All shareholders, who have notified their intention to attend and who are listed in the print-out or other presentation of the share register as valid five days prior to the meeting, are entitled to participate in the annual general meeting and vote for the shares owned and represented. Shareholders also have the right to have a matter discussed at the annual general meeting provided that the matter has been notified to the Board within the time limits specified in the notice of the annual general meeting.

Ownership and dividend policy

At year-end 2009, there were 29,943 shareholders in Klöverns, 85.7 per cent of which were domiciled in Sweden. The capitalization was SEK 3,682 million and the share capital amounted to SEK 832,721,630 divided into a total of 166,544,326 shares and votes. Of these 5,741,463 have been repurchased by the company and cannot be represented at the Annual General Meeting.

According to the adopted dividend policy, 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.

Annual General Meeting 2009

Klövern's Annual General Meeting 2009 was held on 30 March at Kistamässan in Kista, Stockholm. The meeting was attended by 115 participants, including representatives, assistants and guests. Together, these represented 43 per cent of the votes in the company. In addition the mandatory matters stipulated in the articles of association, a decision was made on a new authorization for the Board to acquire and transfer own shares up to 10 per cent of the total number of registered shares. Furthermore, the meeting decided to pay a dividend of SEK 1 per share, equivalent to SEK 160,803,000.

No extraordinary shareholders' meetings have been held during 2009.

The full minutes of the Annual General Meeting for 2009 are available on Klöverns website, www.klovern.se.

Nominations Committee

The Nominations Committee shall be representative of the shareholders of the company and prepare the decisions at the annual general meeting. The Nominations Committee shall make proposals to the annual general meeting for the election of a chairman and auditors, the number of directors, as well as on board fees and auditors. The Nominations Committee also makes proposals, including reasons, for the election of directors as well as rules on the arrangement of the Nominations Committee for the period until annual general meeting and on the procedure for replacing members of the Nominations Committee before their work is completed.

The 2009 Annual General Meeting decided that the Nominations Committee should be appointed annually and consist of the chairman of the board, and a representative of every shareholder whose shareholding as at 31 August 2009 exceeds five per cent of the shares and votes in the company, as well as a representative of the other shareholders. Representatives of Klöver's Nominations Committee may be contacted by e-mail, styrelse-nominering@klovern.se or by telephone via Klöver, +46 155-44 33 12.

The composition of the Nominations Committee prior to the 2010 Annual General Meeting

Name	Representing owner	Shareholding at 31 August 2009, %
Stefan Dahlbo	Chairman of the Board	–
Håkan Engstam	Corem Property Group AB	11.9
Göran Almberg	Federation of Swedish Farmers*	10.6
Rickard Svensson	Arvid Svensson Invest AB	10.6
Erik Törnberg	Investment AB Öresund	9.6
Eva Gottfridsdotter-Nilsson	Länsförsäkringar Fonder*	6.0
Svante Paulsson	Other shareholders	–

* Owner group

The composition of the Board of Directors during 2009

Member	Elected/resigned	Independent	No. of board meetings attended	Attendance on Finance Committee	Fee, SEK thousand
Rutger Arnhult ¹⁾	2009/	No	7 of 12	Non-member	94
Stefan Dahlbo, Chairman	2002/	Yes	12 of 12	4 of 4	250
Gustaf Hermelin, CEO	2003/	No	12 of 12	3 of 4	–
Lars Holmgren	2003/	No	12 of 12	3 of 4	125
Anna-Greta Lundh	2003/	Yes	12 of 12	Non-member	125
Helen Olausson ¹⁾	2008/2009	Yes ²⁾	4 of 12	Non-member	31
Lars Rosvall	2005/	Yes	11 of 12	Non-member	125
Fredrik Svensson	2005/	No	12 of 12	4 of 4	125

1) Helen Olausson declined re-election at the 2009 Annual General Meeting and was replaced by Rutger Arnhult.

2) Independent as from November 2008.

THE BOARD OF DIRECTORS

The Board is elected at the Annual General Meeting and its task is to manage the company's business in the interests of the company and all of its shareholders. The Board shall have a size and composition that ensures its ability to manage the company's business with integrity and efficiency.

The composition of the Board

According to the articles of association, Klöver's Board of Directors shall consist of at least four and at most eight members. At the 2009 Annual General Meeting, directors Stefan Dahlbo (Chairman), Gustaf Hermelin (CEO), Lars Holmgren, Anna-Greta Lundh, Lars Rosvall and Fredrik Svensson were re-elected. Rutger Arnhult replaced Helen Olausson, who declined re-election. Caesar Åfors, Klöver's CFO and Vice-President, acts as secretary at Klöver's Board meetings.

The independence of the Board

According to the Swedish Code of Corporate Governance, 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 to be 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 makes 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.

Board of Directors



The Board of Directors from the left: Lars Holmgren, Gustaf Hermelin (CEO), Lars Rosvall, Anna-Greta Lindh, Stefan Dahlbo (Chairman), Rutger Arnhult and Fredrik Svensson.

LARS HOLMGREN

Born 1952. Director since 2003. CFO, Federation of Swedish Farmers. *Other assignments:* Chairman of among others, LRF Försäkring AB and LRF Samköp AB. Director of, among others, Diös Fastigheter AB, LRF Media AB and Lantbrukarnas Ekonomi AB. *Education:* Chemical economist. *Shareholding in Klöver:* 0 shares.

GUSTAF HERMELIN

Born 1956. Director since 2003. CEO, Klöver AB. *Other assignments:* Director of Diös Fastigheter AB. *Education:* Studies in economics, Stockholm School of Economics. *Shareholding in Klöver:* 2,153,700 shares, privately, via family and company.

LARS ROSVALL

Born 1959. Independent director. Director since 2005. *Other assignments:* Chairman of Thevinyl AB. Member of the Board of Ampelia Förvaltning AB, Backahill AB, Ateneum AB and Dagon AB. *Education:* Graduate in business administration. *Shareholding in Klöver:* 110,000 shares, via company.

ANNA-GRETA LUNDH

Born 1955. Independent director. Director since 2003. CEO, Länsförsäkringar Södermanland. *Other assignments:* Director of Humlegården, Almi Invest Östra Mellansverige and Södermanlands Nyheter. *Education:* Graduate in business administration. *Shareholding in Klöver:* 25,000 shares, privately.

STEFAN DAHLBO

Born 1959. Independent director. Chairman of the Board since 2002. CEO, Investment AB Öresund. *Other assignments:* Director of HQ AB, Investment AB Öresund and Nobia AB. *Education:* Graduate in business administration. *Shareholding in Klöver:* 48,000 shares, privately and via company.

RUTGER ARNHULT

Born 1967. Director since 2009. CEO of Corem Property Group. *Other assignments:* Chairman of M2 Asset Management AB, director of Vytal Diagnostics AB, Locellus AB, Dentutech AB and Arnia Holding AB. *Education:* Graduate in business administration. *Shareholding in Klöver:* 17,375,749 shares, via company.

FREDRIK SVENSSON

Born 1961. Director since 2005. CEO, AB Arvid Svensson (ASA). *Other assignments:* Chairman of Case Investment AB. Director of Balder AB, Dagon AB and United Logistics AB. *Education:* Graduate in business administration. *Shareholding in Klöver:* 17,016,609 shares, via company.

The above information applies as at 19 January 2010.

The Chairman of the Board

The Chairman of the Board is elected at the Annual General Meeting and is responsible for leading the work, organization and efficiency of the Board 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, steering documents and the formal work plan
- appoint a Nominations Committee, according to the instructions from the Annual General Meeting, and also take part in the same
- ensure that directors receive the requisite training and information to be able to analyse the company's financial position, strategy, planning and development

The Chairman of the Board of Klöver is Stefan Dahlbo.

Formal work plan and work of the Board of Directors

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 is a complement to current legislation, the articles of association, Nasdaq OMX Stockholm's rules and the Swedish Code of Corporate Governance. 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, acquisitions 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, common policies, audit reports, the budget, the annual accounts etc. are dealt with at specific meetings.

The work of the Board is evaluated annually through a systematic and structured process. The intention is to develop the forms of work and efficiency of the Board. The result of the evaluation is reported to the Nominations Committee.

The work of the Board during 2009

During 2009, there have been five ordinary meetings, one meeting following election and seven extraordinary meetings.

The extraordinary meetings have concerned decisions of a financial nature and decisions to publish the annual report and the respective interim reports. The set agenda has applied for the ordinary meetings.

The Finance Committee

Klövern has a finance committee, consisting of the Chairman of the Board, two directors, the CEO, the Finance Manager and the CFO. The Finance Committee is an advisory forum for the Board on matters of strategic importance.

Klövern's Board has adopted a financial policy. This policy is reviewed annually and the allocation of responsibility established for financial matters as well as the rules for reporting, follow-up and control. Matters of this kind, which are to be taken up on the Board are to be considered first in the Finance Committee. During 2009, the representatives of the board on the finance committee have been Stefan Dahlbo, Lars Holmgren and Fredrik Svensson. The committee has had four minuted meetings.

EXECUTIVE MANAGEMENT

Gustaf Hermelin is CEO of Klöver. The CEO is appointed by the Board and reports to the Board. The most important task of the CEO is to take care of the day-to-day management of the company. The instructions in the formal work order make clear which matters and which issues are to be submitted to the Board for decision and which powers the CEO has. Furthermore, the CEO produces and presents necessary information and a basis for decision-making for board meetings. Klöver's Board evaluates the work of the CEO annually.

During 2009, the executive management consisted of, in addition to the CEO, Caesar Åfors, CFO and Vice-President, Thomas Nilsson, IT and Real Estate Manager and Vice-President, Britt-Marie Einar, Financial and Information Manager, Mattias Rickardsson, Transaction and Analysis Manager, P.G. Sabel, Unit Manager for Kista and Täby and Elisabet Norling, Personnel and Environmental Manager. Each person in the executive management has their own area of responsibility as well as responsibility for at least one business unit. Operational matters are reported continuously at meetings of the executive management. The executive management has held 21 minuted meetings during 2009.

Executive Management



The Executive Management from the left: Elisabeth Norling, Gustaf Hermelin (CEO), Mattias Rickardsson, Caesar Áfors, Britt-Marie Einar, Thomas Nilsson och PG Sabel.

ELISABETH NORLING

Born 1964. Personnel and Environmental manager, employed since 2007. *Previous employment:* Head of business area and recruitment consultant, Proffice 2005–2007, partner Intrakey 1998–2005, Sales manager Graphium 1996–1998, Head of business area LärData 1992–1996. *Education:* Graduate in business administration. *Other assignments:* None. *Shareholding in Klöver:* 0 shares, 100,000 warrants.

GUSTAF HERMELIN

Born 1956. CEO, employed since 2002. *Previous employment:* CEO, StrömFastigheter in Norrköping, 2001–2002, CEO StrandFastigheter in Nyköping 1993–2002, Regional manager, Storheden/Wihlborgs 1998–2001, CEO, etc., Oskarsborg 1994–1997. *Education:* Studies in economics at Stockholm School of Economics. *Other assignments:* Director of the Board of Diös Fastigheter AB. *Shareholding in Klöver:* 2,153,700 shares, 200,000 warrants, privately via family and company.

MATTIAS RICKARSSON

Born 1974. Transaction and Analysis Manager, employed since 2003. *Previous employment:* Subsidiary controller, Österströms rederi AB, 1999–2003. *Education:* University studies in Economics. *Other assignments:* None. *Shareholding in Klöver:* 0 shares, 200,000 warrants.

CAESAR ÁFORS

Born 1959. Finance Manager and Vice-President, employed since 2002. *Previous employment:* Consultancy assignments in StrandFastigheter in Nyköping, 1999–2002, Self-employed 1997–1998, Estate agent, Areal AB 1990–1997. *Education:* MSc in Forestry. *Other assignments:* Director of the Board of Länsförsäkringar Södermanland. *Shareholding in Klöver:* 700,000 shares, 200,000 warrants, via company.

THOMAS NILSSON

Born 1951. IT and Real Estate Manager, Vice-President, employed since 2002. *Previous employment:* Consultancy assignments in, among others, Storheden, Wihlborgs and StrandFastigheter in Nyköping 1995–2002, CEO, Skavsta Flygplats AB 1991–1995, CEO, Nyköpings Industrierhus 1982–1994. *Education:* BSc, Business Administration. *Other assignments:* None. *Shareholding in Klöver:* 275,991 shares, 100,000 warrants, privately and via company.

BRITT-MARIE EINAR

Born 1965. Financial and Information Manager, employed since 2004. *Previous employment:* Information and IR manager, Tornet 1999–2003, Financial journalist, Veckans Affärer 1997–1999 and Finanstidningen 1990–1997, Treasurer, Östgöta Enskilda Bank 1989–1990. *Education:* Graduate in business administration. *Other assignments:* None. *Shareholding in Klöver:* 1,000 shares, 100,000 warrants, privately.

PG SABEL

Born 1964. Unit Manager, Kista and Täby, employed since 2007. *Previous employment:* Head of project development, AP Fastigheter 2000–2007, Project manager and real estate manager, Skanska Fastigheter 1991–2000. *Education:* M.Sc. (Engineering). *Other assignments:* None. *Shareholding in Klöver:* 0 shares, 100,000 warrants.

The above information applies as at 19 January 2010.

REMUNERATION

Guidelines for remuneration

The Board presents its proposal on principles of remuneration and other conditions of employment for the CEO and executive management in the notice of the Annual General Meeting for the approval of the meeting. The process for establishment of these principles shall be formal and transparent and specify the relationship between fixed and variable salary as well as taking into consideration the connection between performance and remuneration. The basic salary, which is to be reviewed every year, shall be at a market level and be competitive and take into consideration the areas of responsibility and experience of the individual employee. The whole Board, except the CEO, takes part in deliberations and decisions on matters relating to remuneration.

Remuneration to the Board of Directors

The fee to the Board is proposed by the Nominations Committee and adopted at the Annual General Meeting.

During 2009, the Board received a fee totalling SEK 875,000 (875,000) for distribution among the members of the Board (except the CEO). The fee for the Chairman of the Board was SEK 250,000 (250,000) and to other directors SEK 125,000 (125,000) per member. The fee to the Board has been unchanged since 2005.

Remuneration to the CEO

Remuneration and benefits for the CEO are decided upon by the Annual General Meeting. The basic salary is to be at a market level and competitive and reviewed every year.

The CEO's performance-based salary amounts to one per cent of the Company's profit before tax, to the extent that this amount exceeds set operational goals for the property management operations.

The variable salary for the CEO may amount at most to the equivalent of six months' basic salary. It is possible to set the bonus amount aside as pension instead of salary. Variable salary equivalent to six months' salary will be paid for 2009. This amount will be charged to income during the first quarter of 2010.

In addition to salary and a pension, the CEO's benefits include health insurance, a subsistence benefit and a company car as well as a share in Klöver'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, the period of notice is 12 months. In the event of termination at the CEO's initiative, the period of notice is six months. 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. No severance pay is to be paid and there are no options or share-related remuneration schemes.

Remuneration to Vice-Presidents and other senior executives

Remuneration and benefits to Vice-Presidents and other senior executives are decided upon by the CEO after consultation with the Chairman of the Board on the basis of principles adopted by the Annual General Meeting.

Salaries paid to the Vice-Presidents and other senior executives shall be at a market level and competitive. The maximum variable salary may amount to the equivalent of six months' basic salary. Variable salary was paid of equivalent to one months' salary was paid for 2009. This amount will be charged to income during the first quarter of 2010.

The pension premium amounts to 35 per cent of the basic salary during the period of employment with the company. The retirement age of Vice-Presidents and other senior executives is 65. The period of notice for termination at the Company's initiative is 12 months and at the employee's initiative six months. No severance pay is paid and there are no option or share-related remuneration schemes.

Benefits in addition to salary and pension for Vice-Presidents and other senior executives include health insurance and a subsistence benefit as well as a share in Klöver's profit-sharing foundation and the right to a company car if this is stipulated in the respective contract of employment.

Remuneration to 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 wholly paid for by the company. Benefits in addition to salary and pension are health insurance and a subsistence benefit and a share in Klöver's profit-sharing foundation.

There is a collective agreement with the Swedish Building Maintenance Workers' Union. The Group had 123 staff (121) at year-end 2009.

Incentive Programmes

The incentive programmes that exist are long term and are intended to promote commitment to the company and thus also increase value for the shareholders.

For 2009, the same principles apply for the incentive programmes as were adopted at the 2008 Annual General Meeting. Variable salary may, for the CEO, amount to at most the equivalent of six months' basic salary. The variable salary for the CEO is based on the company's profit before tax to the extent that this amount exceeds the company's operational goals for real estate operations. Variable salary, in addition to the basic salary, for the Vice-Presidents and other senior executives may amount to at most the equivalent of six months' basic salary. Variable salary for other senior executives is based on outcomes in relation to goals for operating surplus, net profit and letting. The Board of Directors has the right to depart from these principles in particular cases if there are special reasons for so doing.

No severance pay is paid and there were no option or share-related remuneration schemes at year-end.

Profit-sharing foundation

Klövern's profit-sharing foundation covers all employees that have been employed during a curtain period. The amount transferred to the foundation may be at most one price base amount per employee and year (SEK 42,400) and is based on a combination of Klöver's profit, required return and dividend to shareholders. At year-end 2009, the Foundation owned 665,000 shares corresponding to 0.4 per cent of the total number of registered Klöver shares.

In February 2009 and February 2010 respectively, the Board decided that an allocation would be made for 2008 and 2009 at a half price base amount per employee and year. These allocations are charged to the result for 2009 and total SEK 5,847,000 (-1,175).

See Note 3 for additional information about remuneration.

Cost of remuneration and benefits		
Amount in SEK thousands	2009	2008
Salaries, remuneration and benefits		
<i>Chairman of the Board</i>		
Stefan Dahlbo	250	250
<i>Other directors</i>		
Lars Holmgren	125	125
Anna-Greta Lundh	125	125
Johan Piehl*	–	31
Helen Olausson**	31	94
Rutger Arnhult**	94	–
Lars Rosvall	125	125
Fredrik Svensson	125	125
<i>CEO</i>		
Basic salary	2,662	2,482
Variable salary	0	0
Benefits	76	82
<i>Vice-Presidents (two persons)</i>		
Basic salary	2,694	2,693
Variable salary	0	0
Benefits	118	119
<i>Other senior executives (four persons in 2009, three persons in 2008)</i>		
Basic salary	3,826	3,367
Variable salary	0	0
Benefits	264	129
<i>Other employees</i>		
Basic salary	43,617	44,577
Variable salary	0	253
Benefits	2,431	2,255
Total	56,563	56,832
Contractual pension costs (incl. Fora)		
CEO	867	841
Vice-Presidents (2 persons)	943	922
Other senior executives (four persons in 2009, three persons in 2008)	1,227	1,087
Other employees	3,936	3,990
Total	6,973	6,840
Statutory social security costs (incl. wages tax)		
Chairman of the Board	79	81
Other directors	196	203
CEO	1,070	1,035
Vice-Presidents (2 persons)	1,111	1,132
Other senior executives (four persons in 2009, three persons in 2008)	1,579	1,392
Other employees	14,923	16,063
Total	18,958	19,906
Grand Total	82,494	83,578

* Johan Piehl declined re-election at the 2008 Annual General Meeting and was replaced by Helen Olausson

** Helen Olausson declined re-election at the 2009 Annual General Meeting and was replaced by Rutger Arnhult.

AUDITORS

Ernst & Young was elected as the company's auditor at the 2007 Annual General Meeting for the period until the 2011 Annual General Meeting. Authorised public accountant Mikael Ikonen, has been auditor-in-charge at Klöver since 2007.

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, the Board's report in internal control and review the company's six-monthly or nine-monthly report.

This examination is compiled in a report which is considered annually by the Board. The report shall state, among others, whether Klöver is organised in such a way as to enable the accounts, financial management and financial circumstances otherwise to be checked in a satisfactory way.



MIKAEL IKONEN

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

Other assignments: Ing Real Estate Nordic Holding AB, Russian Real Estate Investment AB, Rusforest AB, 11 Real Asset Fund AB, Citycon AB, Scandic Hotels AB, Cramo

Holding AB, Unibal Rodamco AB and SFF Real Estate AB. *Shareholding in Klöver:* 0 shares.

Fees to auditors

Fees to auditors are set, after a proposal from the Nominations Committee, at the Annual General Meeting. The 2009 Annual General Meeting decided to pay the fee as invoiced.

Cost of fees and compensation for costs to auditors

Amount in SEK thousands	2009	2008
Audit assignments	1,650	1,524
Other assignments	7	152
Total	1,657	1,676

SWEDISH CODE OF CORPORATE GOVERNANCE

The Swedish Code of Corporate Governance came into effect on 1 July 2005 and was revised on 1 July 2008, to cover all Swedish companies whose shares are listed on a regulated market in Sweden. The Code will be revised again as at 1 February 2010. The Code is administered by the Swedish Corporate Governance Board and is a complement to legislation and other regulatory frameworks. The Code is intended to provide good corporate governance and to ensure that the companies that are not led directly by their shareholders are conducted as efficiently as possible.

The Code is not mandatory although an explanation is required in the event of a decision to depart from it according to the principle of "comply or explain".

During the year, Klöver has decided to depart from the Code as applicable at the beginning of 2009, as follows, with the explanations given:

9.1 Remuneration Committee

There is no separate remuneration committee. Instead, the entire Board, excluding the CEO, is responsible for the company having a formalized and transparent process to establish principles for remuneration and other conditions of employment for the CEO and the executive management.

10.1 Audit Committee

The Board considers that the audit is of such importance that these matters should be considered and decided upon by the Board as a whole, excluding the CEO. The auditors and the Board meet on at least two occasions to discuss audit-related matters and on at least one occasion, the Board and auditors meet without the CEO or another representative of the company being present. The company's auditors also take part at two board meetings during the year and present their findings in connection with the audit.

INTERNAL CONTROL

The Board is responsible for internal control and clear guidelines, together with recurrent follow-up and common sense, creating the prerequisites for achieving common goals and confidence and trust throughout the whole organisation and among shareholders.

The processes for handling internal control and management within the company are governed, besides by laws, rules and recommendations, to a large extent by internal policies and steering documents. Steering documents and policies are continuously revised and evaluated as well as being regularly developed and used as a support in decision-making processes for each individual member of staff.

Control environment

The control environment serves as the basis for internal control and valuations in the company. 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, the instructions for the CEO and reporting instructions. 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 and procedures. These documents provide support and guidance and include both decision-making paths and allocation of responsibility and powers.

Risk assessment

Every organization meets a lot of risks of external and internal origin which must be identified and evaluated to determine how risks are to be managed and faults in this management to be minimized. It is also very important that Klöverns IT environment maintains a high level of security, reliability and efficiency. The extent and assessment of the company's risk management as a whole and financial reporting in particular is made continuously by the Board and the executive management.

Control activities

The Finance Department and the Real Estate Department make continuous follow-ups of business activities 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 activities, financial administration and management are inspected twice a year by the company's auditors who report their observations and any comments directly to the Board. The principles for accounting, reporting and audit comments are reviewed in connection with the ordinary audit of the annual accounts.

Information and communications

The internal communication of the executive management consists mainly of the minuted meetings of the executive management and regular conferences and meetings with those responsible for the respective business unit and other managers.

Relevant information, internal and external, is provided continuously to the staff concerned. The external information is taken care of in accordance with an information policy which is partly adapted to the regulatory framework of Nasdaq OMX Stockholm and the Swedish Code of Corporate Governance. Internal information is communicated via the intranet.

Control and 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. The result is analysed by both the real estate department, the finance department and the person in the executive management responsible for results. Reporting is made to the CEO and the Board.

Internal audit

Klövern has a decentralized and transparent organisation where, among other things, financial activities, economic and rental administration are taken care of by head office. Follow-up of the result and balance is made quarterly by both the separate functions and by the executive management and the Board. Management and reporting are examined by the Company's auditors and the outcome is reported to the Board. Based on the above, it is not considered that there is any need for internal audit.

Additional information on risk assessment, exposure and management is contained in the section Risk and sensitivity on pages 26–29.