

# Corporate Governance Report

The corporate governance report reports on Klöver's corporate governance in the 2010 financial year. The report is not part of the formal annual financial statements.

Corporate governance defines the decision-making system used by the owners, directly and indirectly, to manage the company and its risks. 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.

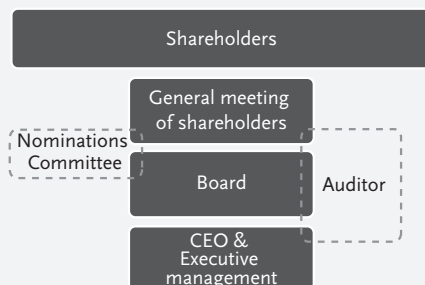
## Articles of Association

The articles of association, adopted by the annual general meeting of shareholders, is a key document, which, together with current legislation specifies the business and governance of the company. Klöver AB is a Swedish public limited liability company, with the company registration number 556482-5833, and with its registered office at Nyckelvägen 14 in Nyköping. The company's business activities consist of owning and selling real estate companies and compatible activities. The company is listed on Nasdaq OMX Stockholm MidCap. The company's financial year is the calendar year.

The complete text of Klöver's articles of association is available on page 109.

## General meetings of shareholders

The general meeting of shareholders 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.



## Ownership, repurchase and dividend

At year-end 2010, there were 166,544,326 registered shares and voting rights in the company, held by 27,754 shareholders. The capitalization, based on the number of outstanding shares, was SEK 5,467 million and the share capital amounted to SEK 832,721,630. 83 per cent of the shareholders were residents in Sweden. The company has two shareholders with a shareholding of over 10 per cent and the ten largest shareholders together represented 60.5 per cent of the total number of outstanding shares.

Klöver has, according to authorization, repurchased 5,741,463 shares, which do not confer voting rights.

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.

More detailed information is available on pages 64–66.

## 2010 Annual General Meeting

Klöver's Annual General Meeting for 2010 was held on 20 April at Kistamässan in Kista, Stockholm. The meeting was attended by 96 participants, including representatives, assistants and guests. Together, these represented 59 per cent of the votes in the company.

In addition to the mandatory matters stipulated in the articles of association, decisions were made on;

- dividend of 1.25 per share, totalling SEK 201 million
- renewed authorisation for the Board to acquire and transfer its own shares
- re-election of the Chairman of the Board and all directors with the exception of Lars Holmgren, who declined re-election
- new election of director Lars-Göran Pettersson
- unchanged fees to the directors
- fees to the auditors to be paid according to approved invoices.

No extraordinary general meetings of shareholders have been held during 2010.

The minutes of the 2010 Annual General Meeting are available on Klöver's website (in Swedish), klovern.se.

## 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 for the election of a chairman and appointment of auditors, the number of directors, as well as on fees for the Board and auditors. The Nominations Committee also makes proposals, including reasons, for the election of directors as well as rules on the composition of the Nominations Committee for the period until the next annual general meeting, and on the procedure for replacing members of the Nominations Committee before their work is completed.

The 2010 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 in the company as at 31 August 2010 exceeds five per cent of the shares and votes in the company, as well as a representative of the other shareholders. The Federation of Swedish Farmers (LRF) had a shareholding on 31 August that exceeded five per cent. This shareholding was sold, however, during the autumn of 2010 and LRF's representative then resigned from the Nominations Committee.

Representatives of Klöver's Nominations Committee may be contacted by e-mail, styrelsenominering@klovern.se or by telephone via Klöver, +46 155-44 33 12.

### The composition of the Nominations committee prior to the 2011 Annual General Meeting

Representing	Member	Shareholding as at 31 August 2010, %
Chairman of the Board	Stefan Dahlbo	–
Corem Property Group AB	Håkan Engstam*	12.4
Arvid Svensson Invest AB	Rickard Svensson	10.6
Investment AB Öresund	Mikael Nachemson	7.8
Länsförsäkringar Funds**	Eva Gottfridsdotter-Nilsson	7.1
Other shareholders	Klas Andersson	–

\* Chairman of the Nominations Committee.

\*\* Owner group.

### The composition of the Board of Directors during 2010

Director	Elected/resigned	Independent	No. of board meeting attended	Fee, SEK 000s	Shareholding, <sup>3)</sup> thousands	Share- holding, <sup>3)</sup> %
Stefan Dahlbo, ordförande	2002/	Yes	15 of 15	250	48	0.0
Gustaf Hermelin, VD	2003/	No	15 of 15	–	2,163	0.1
Lars Holmgren <sup>1)</sup>	2003/2010	No	3 of 15	31	0	–
Anna-Greta Lundh	2003/	Yes	13 of 15	125	29	0.0
Rutger Arnhult	2009/	No	15 of 15	125	29,986	18.7
Lars Rosvall	2005/	Yes	13 of 15	125	110	0.0
Fredrik Svensson	2005/	No	14 of 15	125	24,159	15.0
Lars-Göran Pettersson	2010/	Yes <sup>2)</sup>	10 of 15	94	0	–

1) Lars Holmgren declined re-election at the 2010 Annual General Meeting and was replaced by Lars-Göran Pettersson.

2) Independent as from November 2010.

3) Direct or indirect shareholding in the company as at 31 December 2010 based on the number of outstanding shares.

## The Board of Directors

The Board 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. 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 2010 Annual General Meeting, directors Stefan Dahlbo (Chairman), Gustaf Hermelin (CEO), Rutger Arnhult, Anna-Greta Lundh, Lars Rosvall and Fredrik Svensson were re-elected. Lars-Göran Pettersson replaced Lars Holmgren, who declined re-election. Britt-Marie Einar, Finance and IR manager and Deputy CEO, 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.

Four of Klöver's seven directors are independent both in relation to the company and to major owners.

## Board of Directors



### STEFAN DAHLBO

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



### RUTGER ARNHULT

Born 1967. Director since 2009. CEO of Corem Property Group AB.  
*Other assignments:* Chairman of M2 Asset Management AB. Director of Vytal Diagnostics AB, Locellus AB and Arnia Holding AB.  
*Education:* Graduate in business administration.  
*Shareholding:* 29,985,600 shares, via company.  
Dependent in relation to a major shareholder.



### 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:* 2,162,800 shares, privately, via family and company.  
Dependent in relation to the company.



### ANNA-GRETA LUNDH

Born 1955. Director since 2003. CEO, Länsförsäkringar Södermanland.  
*Other assignments:* Director of Humlegården, Almi Invest Östra Mellansverige and Södermanlands Nyheter.  
*Education:* Graduate in business administration.  
*Shareholding:* 29,409 shares, privately.  
Independent director.



### LARS-GÖRAN PETTERSSON

Born 1949. Director since 2010. General Secretary of the Swedish Federation of Farmers (LRF).  
*Other assignments:* Chairman of NBC and LRF's Gender Equality Committee. Director of the Nordic Contact Organ for Agricultural and Forestry-related Issues, COPA, Länsförsäkringar Sak and Diös Fastigheter AB.  
*Education:* Academic studies in political science, theology and business administration.  
*Shareholding:* No shareholding.  
Independent director



### LARS ROSVALL

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



### 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, United Logistics AB and Tenzing AB.  
*Education:* Graduate in business administration  
*Shareholding:* 24,159,466 shares, via company.  
Dependent in relation to a major shareholder.

Shareholding as at 31 December 2010.

### *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
- 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.

Stefan Dahlbo has been Chairman of the Board of Klövern since 2003.

### *Formal work plan 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, 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, common policies, audit reports, the budget, the annual accounts etc. are dealt with at specific meetings, according to a set calendar.

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.

### *Committees*

Klövern considers that the whole Board should participate in discussions and decisions relating to finance, remuneration and audit. The Board has therefore decided not to have any special committees for these matters.

### *The work of the Board during 2010*

During 2010, there have been five ordinary meetings, one meeting following election and nine extraordinary meetings of Klövern's Board.

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 investments and transactions exceeding SEK 10 million. In addition, the agenda includes matters relating to audit, internal control, remuneration, policies, evaluations and budget. Once a year, the Board has a meeting focusing on the business plan, strategy and future-related issues.

The extraordinary meetings have concerned decisions to submit interim reports and the annual report, transactions and financial matters.

### *Executive Management*

Gustaf Hermelin is CEO of Klövern. 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. Klövern's Board evaluates the work of the CEO annually.

During 2010, the executive management consisted of, in addition to the CEO, Britt-Marie Einar, Finance and IR manager and Deputy CEO, Thomas Nilsson, IT and Real Estate Manager and Deputy CEO, Elisabeth Norling, Personnel and Environmental Manager, Mattias Rickardsson, CFO, and the Market Area Managers PG Sabel, Hans Lindh and Mikael Forkner. Matters relating to current operations are reported via the meetings of the Executive Management. The Executive Management has had 25 minuted meetings during 2010.

## Executive Management



The Executive Management from left: Thomas Nilsson, PG Sabel, Elisabeth Norling, Hans Lindh, Britt-Marie Einar, Mikael Forkner, Gustaf Hermelin (CEO) and Mattias Rickardsson.

### THOMAS NILSSON

Born 1951. IT and Real Estate Manager, Deputy CEO, employed since 2002. *Previous employment:* Consultancy assignments in Storheden, Wihlborgs and Strand Fastigheter in Nyköping 1995–2002, CEO, Skavsta Flygplats AB 1991–1995, CEO, Nyköpings Industrihus 1982–1994. *Education:* BSc, Business Administration. *Assignments:* None. *Shareholding:* 275,991 shares, 100,000 warrants, privately and via company.

### PG SABEL

Born 1964. Unit Manager, Kista and Täby and Market Area East Manager, 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). *Assignments:* None. *Shareholding:* No shareholding.

### 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. *Assignments:* None. *Shareholding:* 100,000 warrants.

### HANS LINDH

Born 1966. Unit Manager in Västerås and Market Area West Manager, employed since 2010. *Previous employment:* Head of Asset Management, ICA Fastigheter 2009–2010, Property manager ICA Fastigheter 2004–2009, Business Development manager, ICA Fastigheter 2003–2004, Regional manager, Munters 2000–2003. *Education:* University studies in Economics. *Assignments:* None. *Shareholding:* No shareholding.

### BRITT-MARIE EINAR

Born 1965. Financial and IR Manager, Deputy CEO, 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. *Assignments:* None. *Shareholding:* 3,000 shares, 23,614 warrants, privately.

### MIKAEL FORKNER

Born 1960. Unit Manager in Norrköping and Market Area South Manager, employed since 2010. *Previous employment:* Property manager Stockholm City Real Estate Administration 2005–2010, Parking manager, Stockholm City Real Estate, Streets and Traffic Administrations 2001–2005. *Education:* Bachelor of Laws, Lund University. *Assignments:* None. *Shareholding:* No shareholding.

### GUSTAF HERMELIN

Born 1956. CEO, employed since 2002. *Previous employment:* CEO, Strömfastigheter in Norrköping, 2001–2002, CEO Strömfastigheter in Nyköping 1993–2002, Regional manager, Storheden/Wihlborgs 1998–2001, CEO, Oskarsborg 1994–1997. *Education:* Studies in Economics, Stockholm School of Economics. *Assignments:* Director of Diös Fastigheter AB. *Shareholding:* 2,162,800 shares, privately via family and company.

### MATTIAS RICKARDSSON

Born 1974. Financial Manager, employed since 2003. *Previous employment:* Subsidiary controller, Österströms Rederi AB, 1999–2003. *Education:* University studies in Economics. *Assignments:* None. *Shareholding:* 100,068 warrants.

Shareholding as at 31 December 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 conditions 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 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 2010, 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 2010. This amount will be charged to income during the first quarter of 2011.

In addition to salary and pension, the CEO's benefits include health insurance, a subsistence benefit and a com-

pany 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, 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 paid.

### *Remuneration to Deputy CEOs and other senior executives*

Remuneration and benefits to Deputy CEOs 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 Deputy CEOs and other senior executives shall be at a market level and competitive. The maximum variable salary may amount to the equivalent of three months' basic salary. Variable salary was paid of equivalent to one months' salary was paid for 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 Deputy CEOs 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.

Benefits in addition to salary and pension for Deputy CEOs 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 and 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 126 staff (123) at year-end 2010.

### 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.

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 Deputy CEOs and other senior executives may amount to at most the equivalent of three 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. The major part of the executive management has acquired warrants with Investment AB Öresund as counterparty during 2010. The remaining holding for the respective senior executive at year-end is shown on page 104.

### Profit-sharing foundation

Klövern has a profit-sharing foundation which covers all employees that have been employed during a certain period. The amount transferred to the foundation may be at most one price base amount per employee and year and is based on a combination of Klövern's profit, required return and dividend to shareholders.

At year-end 2010, the Foundation owned 725,000 shares corresponding to 0.5 per cent of the total number of registered Klövern shares. In February 2011, the Board decided that an allocation would be made for 2010 at a price base amount of SEK 42,400 per full-time employee.

Further information on remuneration is available on pages 84–85.

Remuneration		
Amount in SEK 000s		
Salaries, remuneration and benefits	2010	2009
<i>Chairman of the Board</i>		
Stefan Dahlbo	250	250
<i>Other directors</i>		
Rutger Arnhult*	125	94
Lars Holmgren**	31	125
Anna-Greta Lundh	125	125
Helen Olausson*	–	31
Lars-Göran Pettersson**	94	–
Lars Rosvall	125	125
Fredrik Svensson	125	125
<i>CEO</i>		
Basic salary	2,583	2,662
Variable salary	1,140	0
Benefits	68	76
<i>Deputy CEOs (two persons)</i>		
Basic salary	2,617	2,694
Variable salary	434	0
Benefits	127	118
<i>Other senior executives (5.5 persons in 2010, 4 persons in 2009)</i>		
Basic salary	5,118	3,826
Variable salary	765	0
Benefits	363	264
<i>Other employees</i>		
Basic salary	46,486	43,617
Variable salary	0	0
Benefits	2,561	2,431
<b>Total</b>	<b>63,137</b>	<b>56,563</b>
<i>Contractual pension costs (including Fora)</i>		
CEO	867	867
Deputy CEOs (2 persons)	925	943
Other senior executives (5.5 persons in 2010, 4 persons in 2009)	1,731	1,227
Other employees	4,703	3,936
<b>Total</b>	<b>8,226</b>	<b>6,973</b>
<i>Statutory social security costs</i>		
Chairman of the Board	79	79
Other directors	196	196
CEO	1,401	1,070
Deputy CEOs (two persons)	1,223	1,111
Other senior executives (5.5 persons in 2010, 4 persons in 2009)	2,383	1,579
Other employees	16,042	14,923
<b>Total</b>	<b>21,324</b>	<b>18,958</b>
<b>Grand Total</b>	<b>92,687</b>	<b>82,494</b>

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

\*\* Lars Holmgren declined re-election at the 2010 Annual General Meeting and was replaced by Lars-Göran Pettersson.

## 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. Authorized public accountant Mikael Ikonen, is been auditor-in-charge at Klöver AB.

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 nine-month report. These examinations are compiled in reports which are considered annually by the Board. The report 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.



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, 11 Real Asset Fund AB, Citycon AB, Scandic Hotels AB, Cramo

Holding AB, Unibal Rodamco AB and SFF Real Estate AB. *Shareholding in Klöver:* No shareholding.

## Fees to auditors

Fees to auditors are set, after a proposal from the Nominations Committee, at the Annual General Meeting. The 2010 Annual General Meeting decided to pay the fee according to approved invoices.

No other auditing activities of tax advice have taken place in addition to this assignment during 2010 or 2009.

### Fees and compensation for costs to auditors

Amount in SEK 000s	2010	2009
Auditing assignments	1,772	1,650
Other assignments	5	7
Total	1,777	1,657

## 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 is administered by the Swedish Corporate Governance Board and is a complement to legislation and other regulatory frameworks. The Code is intended to provide relevant and effective corporate governance in Swedish listed companies. The Corporate Governance Board also works for good practice in the Swedish stock market and is responsible for matters previously dealt with by the Swedish Industry and Commerce Stock Exchange Committee. 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 end of 2010, as follows, with the explanations given:

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

### 9.1 Remuneration Committee

Klöver has no separate remuneration committee. Instead, the Board as a whole, 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. The principles for remuneration and other terms of employment are decided upon at the Annual General Meeting.

## Internal Control

The Board is responsible for the company having good internal control and for ensuring that the financial reporting complies with the applicable requirements.

Together with recurrent follow-up and common sense, the prerequisites are created for achieving common goals and confidence and trust throughout the whole organization and among shareholders.

The processes for handling internal control, financial reporting and management within the company are based on the framework for Coso and governed, besides by laws, rules and recommendations, to a large extent by internal policies and guiding documents. Guiding documents and policies are continuously revised and evaluated as well as being regularly developed and used as a support in decision-making processes in the daily work of every 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 Klöver's 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, external auditors and the executive management.

### *Control activities*

The finance department and 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 communication*

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- and IR-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 company's 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 business unit, the real estate department, the finance department and the market area manager responsible for results. Reporting is made to the executive management, the CEO and the Board.

### *Internal audit*

Klöver has a decentralized and transparent organization 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, the CEO 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 60–63.

## Articles of association

Klövern AB (publ), 556482-5833, adopted at the Annual General Meeting of Klövern on 5 April 2006

### § 1 Name of the company

The name of the Company is Klövern AB. The company is a public limited company.

### § 2 Registered office

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

### § 3 Activities

The object of the Company's activities is to own and sell real estate companies, and engage in compatible activities.

### § 4 Share capital and number of shares

The share capital of the Company shall be no less than three hundred million kronor (SEK 300,000,000) and no more than one billion, two hundred million kronor (SEK 1,200,000,000).

The number of shares shall be no less than sixty million (60,000,000) and no more than two hundred and forty million (240,000,000).

### § 5 The Board of Directors

The board of directors shall consist of at least four and at most eight ordinary members with a maximum of four deputy members.

### § 6 Auditors

The Company shall have one or two auditors and the corresponding number of deputies or one or two firms of public accountants.

### § 7 Financial year

The financial year of the Company shall be the calendar year.

### § 8 Notification of the shareholders meeting

Notice of a shareholders' meeting shall be made by advertisement in the Swedish Official Gazette (Post- och Inrikes tidningar) and in the daily newspaper Svenska Dagbladet.

### § 9 Shareholders' right to participate in the shareholders meeting

Shareholders wishing to participate in the proceedings at a meeting of shareholders shall be registered as owner in the print-out or other presentation of the share register five working days prior to the meeting, and notify their intention to attend to the Company at the latest by 12.00 on the date stated in the notice of the meeting. The latter

day may not be a Sunday, another public holiday, a Saturday, Midsummer Eve, Christmas Eve or New Year's Eve and not be earlier than the fifth working day prior to the meeting.

### § 10 The right of external parties to attend the meeting

Persons not registered in the share register shall be entitled to attend to shareholders meetings on the conditions decided upon by the Board of Directors.

### § 11 Annual General Meeting

At the Annual General Meeting the following matters shall be dealt with:

1. Election of the chairman of the meeting,
2. Preparation of and approval of voting list,
3. Election of one or two persons to approve the minutes,
4. Examination of whether the meeting has been duly convened,
5. Approval of the agenda,
6. Presentation of the Annual Report and the Audit Report and, when relevant, the Consolidated Annual Report and the Audit Report for the Group,
7. Decisions concerning
  - a) adoption of the Statement of Income and Balance Sheet and, where relevant, the Consolidated Statement of Income and Consolidated Balance Sheet,
  - b) allocation of the Company's profit or loss according to the adopted Balance Sheet
  - c) concerning discharge of liability for the board members and the CEO.
8. Determination of the number of board members and deputy board members and, when relevant, auditor and deputy auditor or registered firm of public accountants,
9. Determination of the fees for the board and, when relevant, auditors,
10. Election of board members and deputy board members, and, when relevant, auditor, and deputy auditor or registered firm of public accountants,
11. Other matters to be dealt with by the meeting in accordance with the articles of association or the Swedish Companies Act.

### § 12 Record day provision

The Company's shares shall be registered in a register pursuant to the Liability Accounting of Financial Instruments Act (1998:1479).