

CORPORATE GOVERNANCE



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The property Pinassen 2, better known as Skeppet, in Karlstad. New production, completed in 2017.

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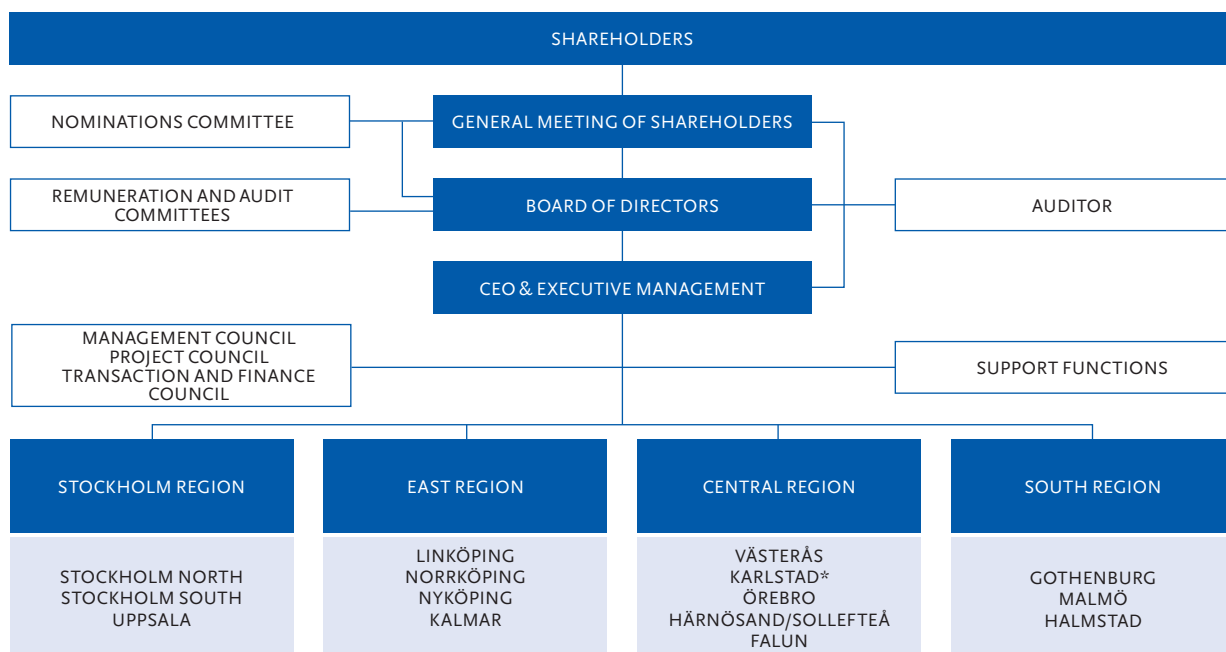
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CORPORATE GOVERNANCE REPORT 2017

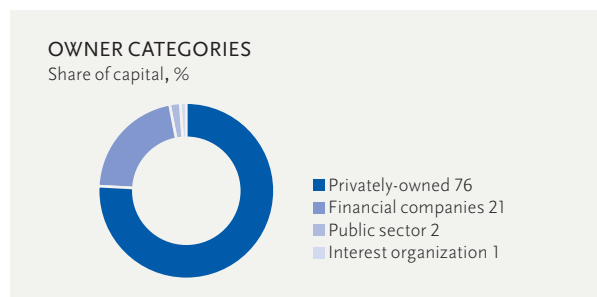
Klövern AB is a Swedish public real estate company which is listed on Nasdaq Stockholm and belongs to the Large Cap segment. Klöver’s corporate governance describes how the owners control the company through the annual general meeting and the board and ensure that the CEO and the executive management create value and deal with the business risks.



* Business unit Karlstad is part of the South Region from 1 January 2018.

The external framework for corporate governance is the Swedish Companies Act, the articles of association, Nasdaq’s rules for issuers and the Swedish Code of Corporate Governance (The “Code”). There is also an internal framework issued by the Board, the most important parts being the rules of procedure of the Board, the instructions for the CEO and policies that serve as the framework for day-to-day operations including risk management and the ethical code and code of conduct.

The Code, which is supervised by the Swedish Corporate Governance Board, www.bolagstyrning.se, is based on self-regulation and the principle of comply or explain. The intention is to create good prerequisites for active responsible ownership. In 2017, Klöver has complied with the Code and there are accordingly no deviations to explain.



SWEDISH CODE OF CORPORATE GOVERNANCE
The Swedish Code of Corporate Governance supplements current legislation and other regulations in order to provide appropriate and effective corporate governance. The code is not binding but deviations require explanation according to the principle of “comply or explain”.

SHAREHOLDERS AND GENERAL MEETING

Shares and ownership

At year-end 2017, Klöver had 46,033 (46,550) shareholders and a share capital of SEK 1,865 million (1,865).

The shares consisted of 74,552,820 ordinary shares of Class A, 841,441,160 ordinary shares of Class B and 16,444,000 preference shares, each with a quote value of SEK 2.00. Of the total number of shares 79 per cent (77) are owned by Swedish investors.

A Class A ordinary share entitles to one (1) vote while a Class B ordinary share, like a preference share, entitles to one-tenth (1/10) of a vote.

The fifteen largest shareholders represented together 63 per cent of the total share capital at the end of the year. Two shareholders, Corem Property Group AB and Rutger Arnhult via companies, each had a holding that exceeds 10 per cent of the capital at the end of 2017.

During the year, the share capital has not changed through a new issue or similar. However, conversion of Class A ordinary shares has taken place as provided for in the articles of association, whereupon the number of votes in the company has changed. Further information is contained in the section Shares on page 48–52. There are no warrants or corresponding securities that can lead to additional shares in the company.

Articles of association

The name of the company is Klöver AB and the company is a Swedish public limited company, whose shares are registered on Nasdaq Stockholm and belong to the Large Cap segment. The company's corporate ID number is 556482-5833 with its registered office in Stockholm. The annual general meeting may be held in Stockholm or Solna. Klöver's operations are, either directly or indirectly through subsidiaries, to acquire, own, manage, develop and sell properties as well as engaging in compatible activities. Class A ordinary shares, Class B ordinary shares and preference shares can be issued. The Company's financial year is the calendar year.

Changes to the articles of association are made in accordance with the provisions of the Companies Act.

Klöver has an administrative service office in Nyköping and its head office in Stockholm.

The articles of association are shown in their entirety on page 71–72.

GENERAL MEETINGS OF SHAREHOLDERS AND VOTING RIGHTS

The general meeting of shareholders is subject to the provisions of the Swedish Companies Act and the articles of association and is the highest decision-making body in a limited company. According to the Companies Act and the articles of association, all shareholders, who have a shareholding registered in their own name a certain number of days prior to the meeting and who have notified their intention to attend in the stipulated way, are entitled to participate in the general meeting and vote for the shares they own and represent. Shareholders also have the right to raise issues for discussion at the general meeting provided that the matter has been notified to the Board within the time limits specified in the Companies Act. Notice of general meetings of shareholders is issued in accordance with the Companies Act and the articles of association and is published by the Board. Notice of the annual general meeting of shareholders or an extraordinary shareholders meeting where the articles of association are to be considered shall be given no more than six weeks and no less than four weeks prior to the meeting. Notice of other extraordinary general meetings shall be given no more than six weeks and no less than three weeks prior to the meeting. At the meeting, shareholders have the right to decide, inter alia, on the appointment of the Board and auditors. Decisions at the annual general meeting are made with a majority of votes as stipulated by the Companies Act.

2017 ANNUAL GENERAL MEETING

Klöver's 2017 annual general meeting was held on 26 April at Solna Gate in Solna. The meeting was attended by 76 persons including shareholders, the Board, the auditor, representatives, assistants, analysts and other guests. They repre-

THE COMPOSITION OF THE BOARD OF DIRECTORS DURING 2017

Director	Elected	Independent	No. of board meetings attended	No. of meetings of remuneration committee attended	Fee, Board, SEK 000s	Shareholding, % of equity ³	Shareholding, % of votes ³
Pia Gideon, Chairman	2013	Yes	19/19	5/5	400	0.0	0.0
Fredrik Svensson ¹	2005	No	19/19	5/5	180	7.2	11.9
Rutger Arnhult, VD ^{1,2}	2009	No	17/19	–	–	15.0	16.2
Ann-Cathrin Bengtson	2011	Yes	18/19	–	180	0.0	0.0
Eva Landén ¹	2011	No	19/19	–	180	–	–

1) Fredrik Svensson, Rutger Arnhult and Eva Landén are dependent in relation to major shareholders and Rutger Arnhult and Eva Landén are dependent in relation to the company and the Executive Management.

2) Rutger Arnhult also owns shares through companies corresponding to 43.0 per cent of the votes in Corem Property Group. Source Corem's year-end report for 2017.

3) Direct or indirect shareholdings in the Company as at year-end 2017/2018. Percentage of votes has been calculated excluding repurchased shares.

Minutes from all general meetings of shareholders are available at www.klovern.se. The annual general meeting 2018 will be held at Solna Gate, Solna, at 11 a.m. on 26 April 2018.

sented together 65 per cent (67) of the votes in the company. In addition to the mandatory items of business stated in the articles of association, decisions were made, inter alia, on

- > A dividend of SEK 0.40 per ordinary share of Class A and B, in four instalments of SEK 0.10 each, and SEK 20.00 per preference share, in four instalments of SEK 5.00 each.
- > Re-election of Pia Gideon as Chairman of the Board. Re-election of directors Fredrik Svensson, Rutger Arnhult, Ann-Cathrin Bengtson and Eva Landén.
- > Re-election of Fredrik Hävrén, Ernst & Young AB, as auditor.
- > Raising the board fee from a total of SEK 800,000 to SEK 940,000, of which SEK 400,000 (350,000) is paid to the Chairman of the Board and SEK 180,000 (150,000) to each board member. Members of the Board who are at the same time employees of the Company receive no fees. Auditor's fees to be paid in accordance with approved invoices.
- > Renewed authorization for the Board to acquire and transfer the Company's own shares.
- > Renewed authorization for the Board to decide on new issues of ordinary and/or preference shares.
- > Adjusted principles for payment to Klöver's profit-sharing foundation.
- > Establishment of a cash-based option programme for executive management (excluding the CEO) and key personnel in Klöver.

SHARE REPURCHASE

Klöver has been authorized by the 2017 Annual General Meeting, until the 2018 Annual General Meeting, to repurchase its own shares so that the company holds a maximum of 10 per cent on any occasion of the total number of registered shares.

During the third quarter, Klöver initiated the acquisition of its own Class B ordinary shares. At the end of the year, the company's holdings of its own shares amounted to a total of 39,367,478 Class B ordinary shares (0), corresponding to 4.2 per cent (0) of the total number of registered shares, which do not confer any votes or rights to dividend.

NOMINATIONS COMMITTEE

The work of the Nominations Committee

The 2017 Annual General Meeting decided that the Nominations Committee should be appointed annually and consist of the Chairman of the Board and representatives of each of the four largest shareholders in the Company on the last day of trading in September of the year prior to the annual general meeting. If one of these shareholders when approached does not wish to nominate a member to the committee, the next

largest shareholder who has not yet been approached is to be asked to nominate a member.

The Nominations Committee ahead of the 2018 Annual General Meeting consists of Mia Arnhult (Rutger Arnhult via companies), Patrik Essehorn (Corem Property Group), Rikard Svensson (Arvid Svensson Invest), Lars Höckenström (Gårdarrike) and Pia Gideon (Chairman of the Board). Mia Arnhult has been Chairman of the Nominations Committee during the year. No remuneration was paid to the members of the Nominations Committee.

Shareholders wishing to make proposals to the Nominations Committee may do so by e-mail to styrelsenominering@klovern.se or by telephone on +46 10-482 70 00. The Nominations Committee has had three minuted meetings in preparation for the 2018 Annual General Meeting and has also been in contact by phone and e-mail.

The members of the Nominations Committee have considered and established that there is no conflict of interest in accepting the commission of member of Klöver's Nominations Committee. The work of the Nominations Committee has consisted of examining the valuation of the Board and analyzing the experience and expertise required for the Board to work well based on the Company's strategy, position and business environment. The Nominations Committee also has the task of taking into account in its work the matters referred to in the Code.

In its work ahead of the 2018 Annual General Meeting, the Nominations Committee has considered the company's strategy and its need of expertise in order to create a sustainable increase of value for the shareholders. During this process, the Nominations Committee has reviewed requirement profiles and commissioned an external recruitment expert to identify candidates.

As a diversity policy, the company has applied Rule 4.1 of the Code which entails that there shall be an even gender distribution in the board, and that the board otherwise, taking into consideration the company's operations, stage of development and other factors, shall be diverse and broad with regard to competencies, experience and background. These qualifications taken together shall contribute to the independence and critical calling into question of the Board.

In the process of nominating directors, the Nominations Committee has applied Rule 4.1 of the Code. Klöver has for a long time had an even gender distribution, and will, if the Annual General Meeting vote according to the suggestions of the Nominations Committee, continue to comply with the guidelines of the Code on this point. If the Annual General Meeting votes according to the suggestions of the Nominations Committee, it is the understanding of the Nominations Committee that the board will, given the above, be soundly composed.

The Nominations Committee has also examined and taken into account the recommendations of the Audit Committee on the appointment of an auditor.

The tasks of the Nominations Committee

The Nominations Committee shall make proposals to the annual general meeting on

- > the chairman of the annual general meeting
- > the chairman of the board
- > board members with justification and the number of members and fee
- > remuneration for participation in the work of committees
- > rules for the composition of the Nominations Committee for the next annual general meeting
- > the procedure for replacement of a member of the Nominations Committee before the work of the committee is completed.

The Nominations Committee shall also examine the recommendation of the Audit Committee on the appointment of auditor and the fee paid to the auditor, as well as making a proposal to the annual general meeting on the appointment of auditors.

THE BOARD OF DIRECTORS

The responsibility of the Board of Directors

The Board elected at the annual general meeting has the overall responsibility for the Company's strategy, organization and management on behalf of all shareholders. The Board works for the long-term creation of value in the Company.

The responsibility of the Board of Directors comprises:

- > drawing up a strategy, goal, budget and business plan,
- > examining and approving the accounts,
- > making decisions of investment and divestments,
- > making decisions on capital structure and financial risk,
- > developing the Group's policies,
- > ensuring that there is a control system for follow-up,
- > decisions on important changes of the organization and operations,
- > appointing the CEO, determining the salary and remuneration of the CEO and executive managers.

COMPOSITION

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

INDEPENDENCE

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

Three of Klöver's five directors, Ann-Cathrin Bengtson, Pia Gideon and Fredrik Svensson are independent both in relation to the Company and to the Executive Management. As at 31 December 2017, two of these, Ann-Cathrin Bengtson and Pia Gideon, are also independent in relation to the major shareholders.

Rules of procedure

The work of the Board takes place in accordance with the rules of procedure adopted at the first ordinary board meeting after the annual general meeting. These rules of procedure include directives about the division of duties and reporting between the Board, the Chairman of the Board and the CEO and the plan for the year which is followed for the work of the Board.

The Board's work during 2017

During 2017, there have been 19 (18) meetings, of which 1 (1) meeting following its election and 3 (1) meetings with decisions by circulation. In addition, the Board, the executive management and external lecturers have met for strategy-related work.

Every board meeting deals with the state of the market, acquisitions, divestments and investments, strategic initiatives, financial follow-up, organization and company culture, a report from the management organization, customer-related issues and the state of the credit and financial markets. The head of finance reports regularly at every board meeting. In addition, members of the executive management are regularly invited to the Board to report on strategic initiatives.

During the year, focus has, among others, been on developing the Company's work with sustainability, the execution of a strategy resulting in a concentration on selected growth regions as well as expansion into markets outside of Sweden. The board has also continued to follow the development of organization and leadership. In 2016, an extensive review of policies was undertaken. These policies have been further updated in 2017, with specific focus on the IT function and IT security.



The Board has worked continuously with matters relating to internal control and risk management in the presence of the auditor. During the year, the Board has also met the auditor without the CEO or another representative of the Company being present.

The work of the Board is continuously evaluated and an annual systematic and structured evaluation is drawn up in writing and the result reported by the Chairman of the Board to the Nominations Committee. The outcome in 2017 showed that the work of the Board functioned well, that the members of the Board had complementary expertise and that the composition of the Board promotes a good and open climate of discussion and collaboration.

CURRENT POLICIES

- > Financial policy
- > Communication policy
- > Working environment policy
- > Code of Conduct and Sustainability policy
- > Related party policy
- > Crisis management and security/safety policy
- > IT policy
- > Audit policy

THE TASK OF COMMITTEES

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

Audit committee

In the light of matters concerning financing, financial follow-up and risk management being so important in a real estate company of Klöver's size, the Board has decided that the whole board, with the exception of the CEO, shall constitute the Company's audit committee. The Audit Committee and the board of the company meet the Company's auditor on a number of occasions during the year.

Remuneration Committee

The task of the Remuneration Committee is to prepare items of business concerning remuneration to the CEO and the executive management for decision by the Board. In 2017, the Remuneration Committee has consisted of the Chairman of the Board, Pia Gideon and Fredrik Svensson. The Remuneration Committee has had five minuted meetings in 2017 and in addition continuously consulted on questions regarding remuneration and incentives.

The Remuneration Committee has in its work during 2017 evaluated the models for remuneration that the company applies. The Remuneration Committee has consulted external expertise and has in its evaluation found that existing models for variable remuneration are appropriate and that the structures and level of remuneration in Klöver is at a market level and competitive. The evaluation accordingly does not lead to any changes to existing structures.

The work of the Board during 2017*Important decisions*

- > At the Annual General Meeting in April, it was decided, in accordance with the proposal by the board, that dividends on ordinary shares shall also occur quarterly.
- > In July, the board decided to initiate the acquisition of Klöver's own Class B ordinary shares. In total, 39,367,478 Class B ordinary shares were acquired during the second half of the year.
- > In October, Klöver established a secured Medium Term Note programme (MTN) with a framework amounting to SEK 10 billion.
- > In November, a bond of SEK 850 million was issued under the new MTN-programme.
- > In December, a contract was signed regarding a commitment to buy ordinary shares in a directed share issue and to guarantee a rights issue in Tobin Properties.

AUDITORS

Ernst & Young AB was elected as the Company's auditor at the Annual General Meeting in 2017 for the period until the 2018 Annual General Meeting. Fredric Hävrén is auditor-in-

FREDRIC HÄVRÉN

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

Other assignments: Rodamco Sverige AB, Nordisk Renting AB, Byggvesta AB, Mengus Stockholm AB, HSB Bostad AB, CHR Bygga Bostäder Holding AB.

Shareholding in Klöver: no shares.

charge at Klöver AB. According to the Articles of Association, the auditor is elected annually. The auditor's mandate includes examination of the Company's accounts and annual report, as well as the management of the Company by the Executive Management and the Board. Unless specifically decided otherwise, the auditor is to examine the Company's corporate governance report, review remuneration to the Executive Management and review the Company's nine-month report.

The fee to the auditor is established, after a proposal from the Nominations Committee, at the Annual General Meeting. The 2017 Annual General Meeting decided that the fee to the auditor should be paid in accordance with approved invoices. The fee for audit commissions amounted to SEK 3.0 million (2.7) in 2017. Other advice has amounted to SEK 0.6 million (0).

THE GROUP

The Group structure of Klöver AB consists of the parent company Klöver AB and 28 directly owned active subsidiaries (27). In 2017, all operations were in Sweden. The operations are divided into 15 business units and in four regions: Stockholm, East, Central, and South. More information about the regions is available on page 14-21.

THE CEO AND EXECUTIVE MANAGEMENT

The CEO reports to board meetings and provides the Board with ongoing information about the development of the Company.

The CEO leads the work of the Executive Management. As well as the CEO, the Executive Management group in 2017 consisted of the head of transactions, the head of finance and (since the end of the year) the corporate lawyer.

The work of the Executive Management during 2017

The Executive Management deals with matters relating to ongoing activities and also matters of a financial character, strategy, personnel, transactions and financial reporting.

The executive management participates in various councils and meetings within the organization.

BOARD OF DIRECTORS

The Board of Directors consists of five members with Pia Gideon as Chairman.

FREDRIK SVENSSON

Director since the 2005 Annual General Meeting. Chairman 2011–2016. Born 1961. CEO of AB Arvid Svensson. Dependent in relation to major shareholders.

Education: Graduate in business administration.

Other board assignments: Director of Fastighets AB Balder (publ.).

Shareholding in Klövern: 13,299,733 Class A ordinary shares, 52,997,330 Class B ordinary shares and 685,122 preference shares via company, directly and indirectly.

PIA GIDEON

Chairman since the 2016 Annual General Meeting. Director 2013–2016. Born 1954. Independent director

Education: Graduate in business administration.

Other board assignments: Qlucore AB, Metria AB, and Apoteket AB.

Shareholding in Klövern: 11,500 Class B ordinary shares.

RUTGER ARNHULT

Director since 2009. Born 1967. CEO of Klövern AB. Dependent director in relation to the Company, the Executive Management and major shareholders.

Education: Graduate in business administration.

Other board assignments: Chairman of M2 Asset Management AB, Director of Corem Property Group AB (publ.), Arnia Holding AB, Agora AB (publ.) and Tobin Properties AB (publ.).

Shareholding in Klövern: 12,528,484 Class A ordinary shares, 127,419,499 Class B ordinary shares and 655,284 preference shares, via company, directly and indirectly.

ANN-CATHRIN BENGTON

Director since the 2011 Annual General Meeting. Born 1962. Independent director.

Education: Graduate in business administration.

Other board assignments: Director of Flyinge AB and Strömsholm AB.

Shareholding in Klövern: 19,200 preference shares via company.

EVA LANDÉN

Director since the 2011 Annual General Meeting. Born 1965. CEO of Corem Property Group AB (publ.). Dependent in relation to the Company, the Executive Management and major shareholders.

Education: Graduate in business administration.

Other board assignments: Specialfastigheter AB.

Shareholding in Klövern: No shareholding.

Shareholding as per 31.12.2017



EXECUTIVE MANAGEMENT

The Executive Management consists of the CEO Rutger Arnhult and three executives with different areas of responsibility.

MALIN LÖVEBORG

Corporate lawyer
Born 1978.
Employed since September 2017.

Education: Graduate in law.

Previous employment: Lawyer / senior assistant lawyer Setterwalls advokatbyrå 2007-2017, assistant lawyer Hamilton advokatbyrå 2005-2007.

Board assignments: None.

Shareholding in Klövern: No shareholding.

RUTGER ARNHULT

CEO
Born 1967.
Employed since 2012.

Education: Graduate in business administration.

Board assignments: Chairman of M2 Asset Management AB, Director of Klövern AB (publ.), Corem Property Group AB (publ.), Arnia Holding AB, Agora AB (publ.) and Tobin Properties (publ.).

Shareholding in Klövern: 12,528,484 Class A ordinary shares, 127,419,499 Class B ordinary shares and 655,284 preference shares, via company, directly and indirectly.

JENS ANDERSSON

Head of Finance
Born 1973.
Employed since 2013.

Education: Graduate in business administration.

Previous employment: Project manager, Catella Corporate Finance 2012-2013, CFO Vanir Asset Management 2010-2012. Senior Vice President Aareal Bank 2001-2010.

Board assignments: No external assignments.

Shareholding in Klövern: 122,000 Class B ordinary shares via company and indirectly.

PEETER KINNUNEN

Head of Transactions
Born 1973.
Employed since 2012.

Education: Master's degree in engineering.

Previous employment: COO Vanir Asset Management 2010-2012, Head of Transactions and Analysis Kungsliden AB 2007-2010.

Board assignments: No external assignments.

Shareholding in Klövern: 100,568 Class B ordinary shares, 1,685 preference shares via company and directly.

Shareholding as per 31.12.2017



The executive management has what are known as Management Councils regularly together with the regional managers and other key personnel in Klöver. Management-related issues and reviews of quarterly reports are dealt with there.

The Project Council meets every other week and consists of the CEO, project controllers, project managers, regional managers and the valuation manager. The project council examines all major projects and is also a preliminary body for projects which are passed on for approval by the board.

The Executive Management also participate continuously in Klöver's Transaction and Financial Council, where current transactions and financing are taken up with the functions concerned.

The executive management and all employees gather once a year for a Klöver conference.

REMUNERATION AND INCENTIVE PROGRAMME

The CEO and Executive Management

The Board proposes, and the Annual General Meeting decides upon, the principles for remuneration and other terms of employment for the CEO and other members of the Executive Management team. The basic salary shall be at a market level and competitive and take into account the areas of responsibility and experience of the individual. Variable salary shall be linked to predetermined and measurable criteria, designed with the intention of promoting the long-term creation of value in the Company. The current incentive programmes are long-term and are intended to promote commitment to the Company and thus also added value for the shareholders.

The variable remuneration for Klöver's ordinary members of the Executive Management may amount to three months' basic salary. No variable remuneration is paid to the CEO.

In the event of termination at the Company's initiative, the period of notice is twelve months and six months if notice is given by the employee. No severance pay is paid.

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 is 65.

The Board's proposal for remuneration principles and conditions of employment which will be presented to the 2018 Annual General Meeting is substantially unchanged compared with last year. For more information, see Note 3.

During the year, Klöver has complied with the set guidelines for remuneration to senior executives.

Board of directors and committees

Fees for the Board and participation in committees are proposed by the Nominations Committee and adopted by the annual general meeting.

REMUNERATION TO THE EXECUTIVE MANAGEMENT

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

INTERNAL GOVERNANCE AND CONTROL

Klöver is a highly active company with extensive transactions and projects that are initiated, carried out and completed during a financial year. Klöver encounters risks every day that can have an impact on its operations and ability to achieve the set goals. Risk management, good internal governance and control is therefore a high priority for the board and the company.

The Board's responsibility for financial reporting

According to the Companies Act and the Code, the Board bears ultimate responsibility for ensuring that the Company has sound internal governance and control and that its financial reporting complies with the applicable requirements. Management of internal control, financial management and management processes within the Company are based on the parameters of COSO, the Committee of Sponsoring Organizations of the Treadway Commission. The internal control affects all functions in the Company and includes risk assessment and routines as well as following up goals.

THE RESPONSIBILITY OF THE BOARD OF DIRECTORS

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

The control environment

The control environment and control measures ensure the effectiveness of the Company and serve as the basis for internal control. The formal decision-making procedure is based on the division of responsibility between the Board and the

CEO and includes rules of procedure for the Board and instructions to the CEO. Overall policies are continuously updated and adopted by the Board once a year. During the year, the Board has adopted the following policies:

- > Financial policy
- > Communication policy
- > Labour environment policy
- > Code of conduct and Sustainability policy
- > Related party policy
- > Crisis management and security/safety policy
- > IT policy
- > Audit policy

Important processes, in addition to financial reporting, such as accounting instructions, project administration and rental administration are laid down in separate documents, which are evaluated and developed continuously in accordance with changes in laws, recommendations, risks and procedures.

Risk assessment and control activities

The extent and assessment of the Company's risk management as a whole and financial reporting in particular is undertaken continuously by the Executive Management, the Board and the auditors. Through the Company's ongoing work related to sustainability, risks are identified and action proposed and implemented.

The finance department and the real estate department work alongside one another to ensure compliance with the guidelines.

A limited number of persons are entitled to sign for the Company and attestation rules have been drawn up.

Matters for decision are prepared in the Project Council, the Management Council and the Transaction and Finance Council with the executive management participating. Representatives of the executive management regularly attend board meetings and the Board then follows up current issues and assessments directly with senior executives. The Group's operations, financial management and administration are reviewed twice a year by the Company's auditors who report their observations and any points of view directly to the Board.

Principles for accounting, reporting and audit are reviewed at the ordinary audit of the annual accounts and continuously in a dialogue between the Board and auditors.

Information and communication

External information is communicated through press releases and the website and taken care of in accordance with

the communication policy adapted in accordance with Nasdaq Stockholm's rules and the Code.

Internal information is communicated through regular meetings within the organization and also via the Company's intranet. The main purpose of the Intranet is to provide employees with a structured overall picture of operations and to serve as an easily accessible platform through which current and relevant information can be made available.

Follow-up

Financial follow-up takes place quarterly of all business units and companies and at group level. The follow-up takes place in relation to budgets and forecasts, according to a tried and tested model. Follow-up regarding liquidity and financial ratios take place monthly. The result is analyzed by the business unit, the real estate and finance departments and the regional manager responsible. Reports are submitted to the Executive Management, the Board and the auditors.

Internal audit

Klövern's Board has made the assessment that no separate function for internal audit need be established. The method of work applied by Klövern for follow-up and control is considered to be sufficient and takes place as follows.

Klövern has a decentralized and transparent organization. The financial operations, accounting and rental administration as well as external information and the major part of internal information are handled mainly by the service and head offices. The follow-up of profit and balance take place quarterly by both the various functions and by the business units, the executive management and the Board. The head of finance, the head of transactions and regional managers regularly attend board meetings. Clear documentation through policies and instructions together with recurrent follow-up and regular, ongoing and active discussions with auditors, ensure the correctness of the process. Management and reporting are formally scrutinized by the Company's auditor three times a year and reported to the Board.

Detailed information about Klövern's risk assessment, exposure and management is available in the section Risk and sensitivity on page 54–57.

Whistleblower function

Klövern has a whistleblower function to ensure correct application of the Code of Conduct. The whistleblower function is available for all employees through the Company's intranet. To ensure anonymity and correct handling of the information, the function is administered by an external party.

REMUNERATION

Amount in SEK 000s	2017	2016
Chairman of the Board		
Fredrik Svensson*		70
Pia Gideon	388	210
Other directors		
Ann-Cathrin Bengtson	172	145
Eva Landén	172	145
Pia Gideon		36
Fredrik Svensson	172	109
CEO		
Basic salary	4,718	4,587
Variable salary		
Benefits	234	192
Other senior executives, 3.3 individuals (2.8)		
Basic salary	3,418	4,780
Variable salary		704
Benefits	193	285
Other employees		
Basic salary	113,532	105,082
Variable salary	674	289
Benefits	7,559	6,936
TOTAL	131,233	123,570
<i>Contractual pension costs</i>		
CEO	1,588	1,567
Other senior executives, 3.3 persons (2.8)	874	1,423
Other employees	14,156	13,255
TOTAL	16,618	16,245
<i>Statutory social costs incl. payroll tax</i>		
Chairman of the Board	122	88
Other board members	163	152
CEO	1,941	1,933
Other senior executives, 3.3 individuals (2.8)	1,361	2,093
Other employees	41,427	38,221
TOTAL	45,014	42,487

ARTICLES OF ASSOCIATION

Articles of Association for Klöver AB (publ.), 556482-5833

1 NAME

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

2 REGISTERED OFFICE

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

3 OBJECTS

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

4 SHARE CAPITAL

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

5 SHARES

5.1 Number of shares and classes of shares

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

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

5.2 Dividends

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

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

Each individual quarter, the difference between SEK 5.00 and the dividend paid per preference share shall be added to "Withheld Amounts" (assuming that, at an Annual General Meeting, a resolution was adopted to issue a dividend of less than SEK twenty (20). In the event dividends on preference shares are issued in accordance with a resolution adopted at a general meeting other than an Annual General Meeting, the amount paid per preference share shall be deducted from Withheld Amounts. The deduction shall take place as of the day on which payment takes place to holders of preference shares and shall thereupon be deemed to constitute settlement of the part of any Withheld Amount which arose first. Withheld Amounts shall be recalculated upwards by a factor corresponding to an annual rate of interest of eight (8) per cent (the "Recalculation

Amount"), in which context recalculation shall take place commencing the quarterly date on which payment of the dividend occurred (or should have occurred, in the event no dividend at all is paid out), based on the difference between SEK 5.00 and the dividend paid per preference share on the same quarterly date. In the event such calculation takes place on a date other than a complete year calculated from the day on which any addition to or deduction from Withheld Amounts has taken place, recalculation of amounts added or deducted shall take place in an amount corresponding to the recalculation factor multiplied by the portion of the year that has elapsed. Accrued Recalculation Amounts shall be added to Withheld Amounts and shall thereafter be included in the calculation of the Recalculation Amount.

5.3 New issues

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

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

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

Any increase in the share capital through a bonus issue may only take place through the issuance of ordinary shares, whereupon – in the event both ordinary shares of Class A and Class B have previously been issued – the relationship between ordinary shares of Class A and Class B issued through the bonus issue, and already issued ordinary shares of Class A and Class B, shall remain unchanged. In this context, only holders of ordinary shares shall be entitled to the new shares. Where both ordinary shares of Class A and Class B have been issued, the bonus shares shall be allotted among the holders of the ordinary shares pro rata to the number of ordinary shares of the same class held prior thereto. However, bonus issues may also take place through the issuance of preference shares to the holders of ordinary shares, whereupon the bonus shares shall be allotted among the holders of ordinary shares pro rata to the total number of ordinary shares held prior thereto. The provisions above shall not entail any restriction on the possibility to issue a new class of shares, following requisite alteration to the Articles of Association.

5.4 Redemption

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

The general meeting shall decide the number of preference shares to be redeemed each time. The specific preference shares to be redeemed shall be determined through the drawing of lots. However, where the

resolution is supported by all holders of preference shares, the general meeting may decide which preference shares shall be redeemed.

Any holder of a preference share determined for redemption shall be obliged, three months after being notified of the redemption resolution, to accept payment for the share in an amount calculated as the total of SEK 500 plus any Withheld Amount in accordance with section 5.2 (including any Recalculation Amount on such Withheld Amount up to and including the day on which the redemption amount falls due for payment). All interest calculation shall cease on the day on which the redemption amount falls due for payment.

5.5 Dissolution of the Company

In the event of dissolution of the Company, the holders of preference shares shall be entitled to receive from the Company's net assets SEK 400 per share as well as any Withheld Amount in accordance with section 5.2 (including any Recalculation Amount on such Withheld Amount), prior to any distribution to the holders of the common shares. The preference shares shall otherwise carry no entitlement to any share in the distribution of assets.

5.6 Conversion clause

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

6 THE BOARD OF DIRECTORS

The Board of Directors shall comprise no fewer than four members and no more than eight members.

7 AUDITORS

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

8 FINANCIAL YEAR

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

9 NOTICE

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

10 SHAREHOLDERS' ENTITLEMENT TO PARTICIPATE AT GENERAL MEETINGS

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

11 PRESENCE OF OUTSIDE PARTIES AT GENERAL MEETINGS

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

12 ANNUAL GENERAL MEETING

The following business shall be addressed at annual general meetings:

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

13 RECORD DAY PROVISION

The Company's shares shall be registered in a record day register pursuant to the Financial Instruments Accounts Act (1998:1479).

These Articles of Association were adopted by the Annual General Meeting of Shareholders on 19 April 2016.