

CORPORATE GOVERNANCE



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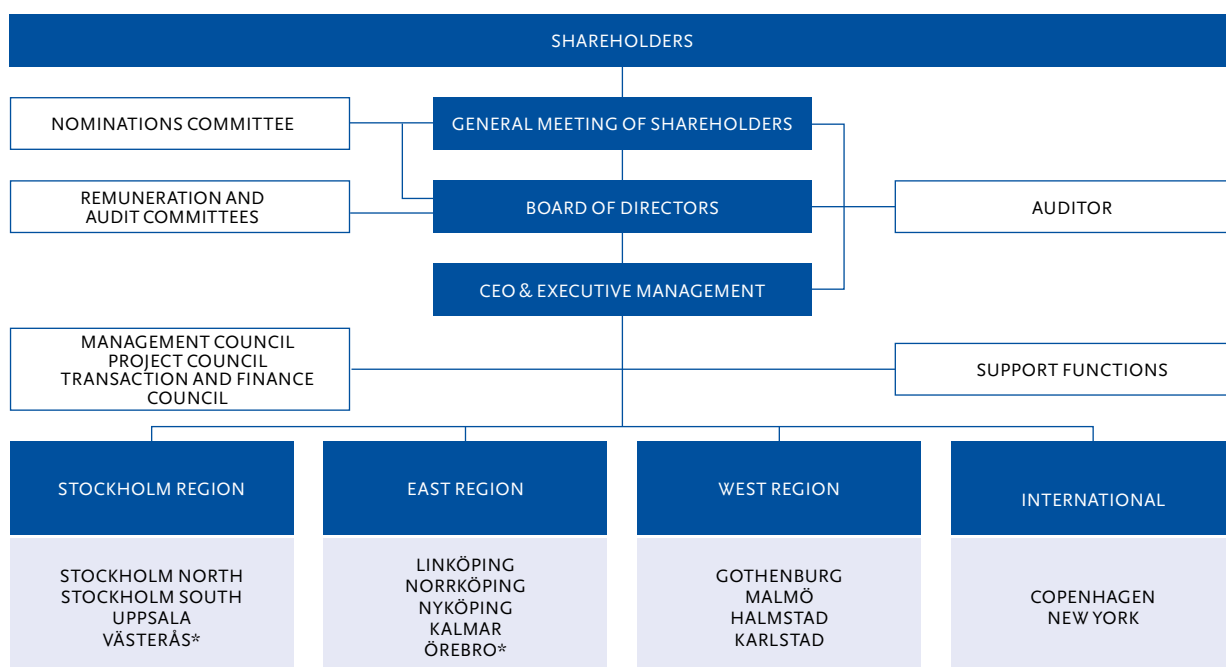
BOARD OF DIRECTORS 70

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The property Gamlestaden 39:14 in Gothenburg. Part of the newly refurbished and renovated Meatpacking District.

CORPORATE GOVERNANCE REPORT

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.



* On 1 January 2019, the structure of the Swedish operations was changed from four regions to three regions. The Västerås business unit subsequently belongs to the Stockholm region and the Örebro business unit belongs to the East region. At the same time, the South region was renamed the West region.

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.

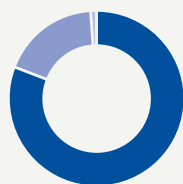
The Code, which is supervised by the Swedish Corporate Governance Board, www.bolagstyrning.se, is based on self-regulation and the principle of comply or explain. The intention is to create good prerequisites for active responsible ownership. In 2018, Klöver has complied with the Code and there are accordingly 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”.

OWNER CATEGORIES

Share of capital, %



- Privately-owned 81
- Financial companies 18
- Interest organizations 1
- Public sector 0

SHAREHOLDERS AND GENERAL MEETING

Shares and ownership

At year-end 2018, Klöver had 47,696 (46,033) shareholders and a share capital of SEK 1,865 million (1,865).

The shares consisted of 73,660,263 ordinary shares of Class A, 842,333,717 ordinary shares of Class B and 16,444,000 preference shares, each with a quote value of SEK 2. Of the total number of shares 80 per cent (79) are owned by Swedish investors.

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

The fifteen largest shareholders represented together 60 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 2018.

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 52-56. 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 head office is in Stockholm and Nyköping. Klöver's operations are, either directly or indirectly through subsidiaries, to own, manage, develop and sell properties as well as engaging in compatible activities. Class A ordinary shares, Class B ordinary shares and preference shares can be issued. The Company's financial year is the calendar year.

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

The articles of association are shown in their entirety at www.klovern.se.

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 general 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.

2018 ANNUAL GENERAL MEETING

Klöver's annual general meeting for 2018 was held on 26 April at Solna Gate in Solna. The meeting was attended by 72 persons including shareholders, the Board, the auditor, representatives, assistants, analysts and other guests. They represented together 64 per cent (65) 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 0.44 per ordinary share of Class A and B, in four instalments of SEK 0.11 each, and SEK 20.00 per preference share, in four instalments of SEK 5.00 each.

THE COMPOSITION OF THE BOARD OF DIRECTORS DURING 2018/2019

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	16/16	2/2	400	0.0	0.0
Rutger Arnhult, CEO ^{1,2}	2009	No	15/16	–	–	15.1	16.8
Eva Landén ¹	2011	No	16/16	–	200	–	–
Johanna Fagrell Köhler	2018	Yes	12/12	–	200	–	–
Ulf Ivarsson	2018	Yes	12/12	–	200	–	–

1) Rutger Arnhult and Eva Landén are dependent in relation to large owners and dependent in relation to the company and the Executive Management.

2) Rutger Arnhult also owns shares through companies corresponding to 44.7 per cent of the votes in Corem Property Group. Source: Corem's year-end report for 2018.

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

Minutes from all general meetings of shareholders are available at www.klovern.se. The 2019 annual general meeting will be held at Kista Gate, Kista, at 11 a.m. on 26 April 2019.

- > Re-election of Pia Gideon as Chairman of the Board. Re-election of directors Rutger Arnhult and Eva Landén. Ann-Cathrin Bengtson and Fredrik Svensson had declined re-election. Ulf Ivarsson and Johanna Fagrell Köhler were elected as new directors.
- > Re-election of Ernst & Young AB, with Fredrik Hävrén as auditor in charge.
- > Raising the board fee from a total of SEK 940,000 to SEK 1,000,000, of which SEK 400,000 (400,000) is paid to the Chairman of the Board and SEK 200,000 (180,000) 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.

SHARE REPURCHASE

Klövern has been authorized by the 2018 Annual General Meeting, until the 2019 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, Klövern initiated acquisition of its own Class B ordinary shares. At that time, the company's holdings of its own shares amounted to a total of 60,000,000 Class B ordinary shares. At the end of the year, the holding of its own shares amounted to 90,200,000 Class B ordinary shares (39,367,478), corresponding to 9.7 per cent (4.2) of the total number of registered shares. The repurchased shares do not confer any votes or rights to dividend.

NOMINATIONS COMMITTEE

The work of the Nominations Committee

The 2018 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 2019 Annual General Meeting consists of Mia Arnhult (Rutger Arnhult via companies), Christina Tillman (Corem Property Group), Rikard Svensson (Arvid Svensson Invest), Lars Höcken-

ström (Gårdarike) 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 2019 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 Klövern'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 has also held individual interviews with the board members. It is also the Nominations Committee's task to take into account in its work the matters referred to in the Code.

In its work ahead of the 2019 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.

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. Klövern 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, goals, budget and business plan,
- > examining and approving the accounts,
- > making decisions on 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), Johanna Fagrell Köhler, Ulf Ivarsson and Eva Landén.

Three of Klöver's five directors, Ulf Ivarsson, Johanna Fagrell Köhler and Pia Gideon are independent both in relation to the Company and to the Executive Management.

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.

As at 31 December 2018, these three 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.

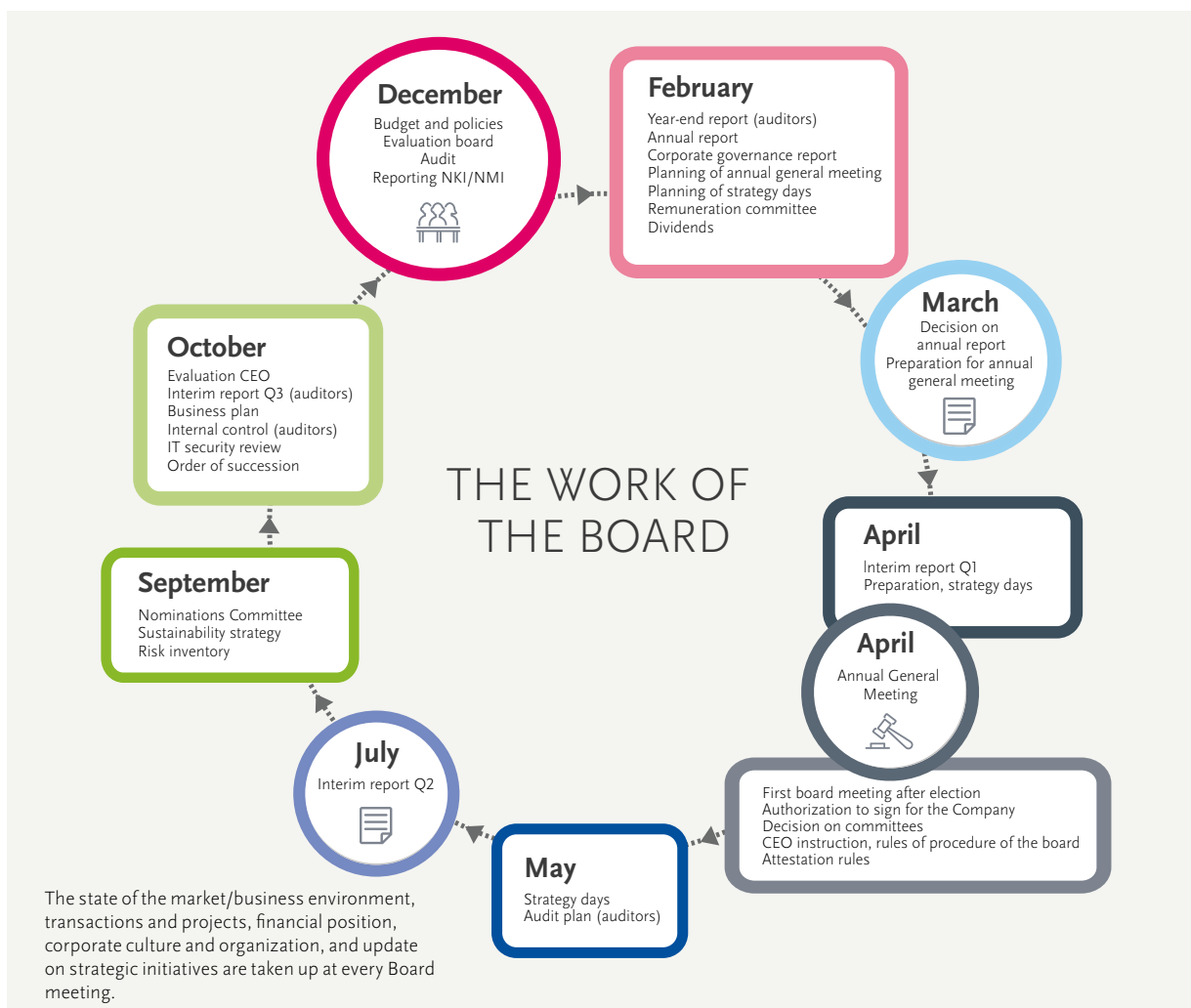
The Board's work during 2018

During 2018, there have been 17 (19) meetings, of which 1 (1) meeting following its election and 2 (3) 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, the financial position, 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 placed 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.

The Board has worked constantly with matters relating to internal control and risk management in the presence of the auditor. During the year, the Board has 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 2018 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.

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 and general principles for wages and incentives for decision by the Board. In 2018, the Remuneration Committee has consisted of the Chairman of the Board, Pia Gideon and Fredrik Svensson until the 2018 Annual General Meeting, after which Ulf Ivarsson replaced Fredrik Svensson. The Remuneration Committee has had two minutes meetings in 2018 and in addition continuously consulted on questions regarding remuneration and incentives.

The Remuneration Committee has also used external expertise to ensure that the company's wages and incentives are at a market level.

The work of the Board during 2018

Important decisions

- > In February, a contract was signed to acquire a property in Copenhagen for DKK 1,440 million.
- > In February, a mandatory cash offer was made to the shareholders of Tobin Properties.
- > In March, SEK 900 million of green bonds were issued.
- > In June, SEK 800 million of hybrid bonds were issued.
- > In June, an agreement was signed to divest seven properties in Härnösand, Sollefteå, Falun and Örebro for SEK 1,145 million.
- > In October, an additional SEK 500 million of hybrid bonds were issued within the framework amount of SEK 1,500 million for the hybrid loan.

AUDITORS

Ernst & Young AB was elected as the Company's auditor at the 2018 Annual General Meeting for the period until the 2019 Annual General Meeting. Fredric Hävrén is auditor-in-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. Klöver's statutory sustainability report has also been examined by Ernst & Young.

FREDRIC HÄVRÉN

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

Other assignments: Magnolia Bostad AB, Heba Fastighets AB, Rodamco Sverige AB, Nordisk Renting AB, Byggvesta AB, HSB Stockholm Ek. för, HSB Bostad AB, CHR Bygga Bostäder Holding AB and Tobin Properties AB.

Shareholding in Klöver: No shares.

The fee to the auditor is established, after a proposal from the Nominations Committee, at the Annual General Meeting. The 2018 Annual General Meeting decided that the fee to the auditor should be paid in accordance with approved invoices.

THE GROUP

The Group structure of Klöver AB consists of the parent company Klöver AB and 29 directly owned active subsidiaries (28). The operations in Sweden are divided into 13 business units and in three regions: Stockholm, West and East. Klöver also has properties in Copenhagen (which is a separate business unit) and New York. More information about the business units is available on page 14-27.

THE CEO AND EXECUTIVE MANAGEMENT

The CEO reports at 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 in 2018 consisted of the head of transactions, the head of finance and the corporate lawyer. Since December 2018, Klöver's Head of Strategy and Research is also part of the executive management.

The work of the Executive Management during 2018

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

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

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



BOARD OF DIRECTORS

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

RUTGER ARNHULT

Director since 2009.
Born 1967.
CEO of Klövern AB.
Dependent 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 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.

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: Chairman of Specialfastigheter AB.

Shareholding in Klövern: No shareholding.

PIA GIDEON

Chairman since the 2016 Annual General Meeting.
Director 2013-2016
Born 1954.
Independent director
Education: Graduate in business administration.

Other board assignments: Chairman of Simris Alg AB, and Qlucore AB, director of Metria AB, and Apoteket AB.

Shareholding in Klövern: 31,500 Class B ordinary shares.

JOHANNA FAGRELL KÖHLER

Director since the 2018 Annual General Meeting.
Born 1966.
CEO of Creuna AB.
Independent director.

Education: Graduate in business administration.

Other board assignments: Chairman of ClayPort AB and of FSport AB, director of G5 Entertainment AB, and S-group Holding AB.

Shareholding in Klövern: No shareholding.

ULF IVARSSON

Director since the 2018 Annual General Meeting.
Born 1961.
Co-founder and executive chairman of AB Stratio.
Independent director.

Education: Graduate in business administration.

Other board assignments: Chairman of Curago AB, FlexQube AB, Smarthome4U Sweden AB and Syntegra Invest AB, director of PostProcess Technologies Inc.

Shareholding in Klövern: No shareholding.

Shareholdings as at 31 December 2018.



EXECUTIVE MANAGEMENT

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

MALIN LÖVEBORG

Corporate lawyer

Born 1978.
Employed since 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 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: 67,000 Class A ordinary shares and 107,000 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 Research Kungsliden AB 2007–2010.

Board assignments: No external assignments.

Shareholding in Klövern: 109,568 Class B ordinary shares and 1,685 preference shares.

SUSANNE HÖRNFELDT

Head of Strategy and Research

Born 1969.
Employed since 2014.

Has belonged to the Executive Management since December 2018.

Education: Master's degree in engineering.

Previous employment: Consultant/Partner Newsec 2001–2014.

Board assignments: None.

Shareholding in Klövern: No shareholding.

Shareholdings as at 31 December 2018.

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 participates 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 senior executives

The Board proposes, and the Annual General Meeting decides upon, the principles for remuneration and other terms of employment for the CEO and other senior executives. 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 senior executives 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 2019 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.

REMUNERATION TO SENIOR EXECUTIVES

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

Board of directors and committees

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

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
- > Working environment policy
- > Code of conduct and Sustainability policy
- > Close associates 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 year-end report 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 and documentation 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 for performance. 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 head office in Stockholm and Nyköping. 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 58-61.

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.