

CORPORATE GOVERNANCE



CORPORATE GOVERNANCE REPORT 2015	68
– BOARD OF DIRECTORS	74
– EXECUTIVE MANAGEMENT	75
ARTICLES OF ASSOCIATION	78

INTRODUCTION

MARKETS

REAL ESTATE OPERATIONS

SUSTAINABILITY

FINANCE

CORPORATE GOVERNANCE

FINANCIAL REPORTS

SPECIFICATION OF PROPERTIES AND REVIEW

The property Aprikosen 2 (Solna Gate) was acquired in April and was taken possession of in October 2015.

CORPORATE GOVERNANCE REPORT 2015

Klövern AB is a Swedish public real estate company which is listed on Nasdaq Stockholm. Sound corporate governance with well-structured internal processes and clarity are of fundamental importance for Klöverns long-term creation of value. The corporate governance report is an account of Klöverns corporate governance during 2015.

IMPORTANT EVENTS

- > Issue of a 4-year unsecured bond loan for SEK 1,000 million in February.
- > During January and July conversion requested of a total of 1,409,783 Class A ordinary shares to Class B shares, which corresponds to 1.7 per cent of the total number of Class A ordinary shares at the beginning of 2015.
- > Decision at the Annual General Meeting on a dividend of SEK 0.30 per ordinary share and SEK 20.00 per preference share.
- > Decision at the Annual General Meeting on an amendment to the Articles of Association concerning the Company's registered office with the result that the registered office is in Stockholm instead of Nyköping.
- > Decision at the Annual General Meeting on the conditions applying to preference shares with regard to the redemption price and amount receivable on dissolution of the Company.
- > In June adjustments were made to two financial goals to enable attainment of even greater financial strength. The interest coverage ratio goal was raised to at least 2.0 from a previous target of at least 1.5. A new goal was introduced that the adjusted equity ratio shall in the long term amount to 40 per cent. This replaced a goal for an equity ratio of at least 30 per cent.
- > During the second quarter a commercial paper programme was established with a framework amount of SEK

1,500 million. During the third quarter this amount was increased to SEK 2,500 million.

CORPORATE GOVERNANCE IN KLÖVERN

Corporate governance in Klöverns is long term and defines the decision-making system used by the owners, directly and indirectly, to manage the Company and its risks. Klöverns corporate governance, management and control is based on current legislation, the regulatory framework of Nasdaq Stockholm, the Swedish Code of Corporate Governance, the Articles of Association, other external directives and recommendations and internal directives such as the business plan, policies and attestation rules. Klöverns values of closeness and commitment shape the way in which its personnel work, which is also the case for corporate governance, management and control.

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 on the principle of "comply or explain".

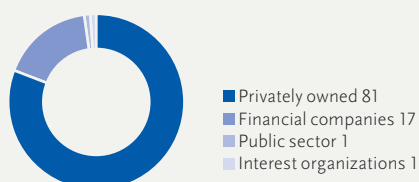
The auditors and the Board meet on at least one occasion without the CEO or another representative of the Company being present. The Company's auditors take part in three board meetings during the year and present their findings and any points of view that may arise in connection with their audit.

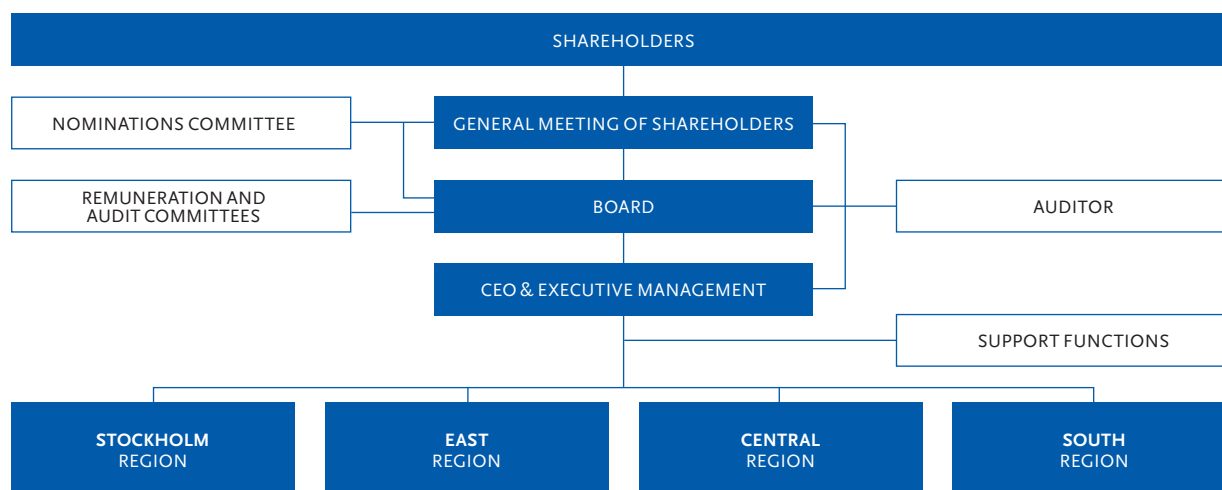
ARTICLES OF ASSOCIATION

The Articles of Association, adopted at a General Meeting of shareholders, together with current legislation, determines how the Company operates and is governed. Klöverns AB is a Swedish public limited liability company, listed on Nasdaq Stockholm. It is registered and has the corporate ID number 556482-5833 with its registered office in Stockholm. Klöverns has an administrative service office in Nyköping and its head office in Stockholm.

OWNER CATEGORIES

Share of capital
%





Klövern'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 fiscal year is calendar year.

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. 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 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 notice of the meeting. Notice of general meetings of shareholders is issued in accordance with the Companies Act 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 two weeks prior to the meeting.

Shares and ownership

Klövern's Class A ordinary shares, called until the middle of November 2014 only ordinary shares, have been listed on Nasdaq Stockholm since 2003. Klövern's preference shares have been traded on Nasdaq Stockholm since January 2012. A new class of share, Class B ordinary shares, was added – and listed on Nasdaq Stockholm – at the end of 2014 through a bonus issue. A Class A ordinary share entitles the holder to one (1) vote while a Class B ordinary share, like a preference share, entitles the holder to one-tenth (1/10) of a vote. At year-end 2015, there were 81,862,397 Class A ordinary

shares, 834,131,583 Class B ordinary shares and 16,440,000 preference shares. The total number of shareholders was 43,911 (42,725). Of the total number of shares 80 per cent (79) are owned by Swedish investors.

On 31 December 2015 the share price of a Class A ordinary share was SEK 9.45, of a Class B ordinary share SEK 9.50 and of a preference share SEK 281.50. This means that the market capitalization, based on the total number of outstanding shares, was SEK 13,327 million (12,232). The share capital amounted to SEK 1,865 million (1,865).

The Company has three shareholders, Corem Property Group, Arvid Svensson Invest and Rutger Arnhult via companies with holdings that exceed 10 per cent of the equity. The twenty largest shareholders together represented 69 per cent (72) of the total share capital at year-end. During 2015 Class A ordinary shares were traded to a value of SEK 508 million (2,493), Class B ordinary shares to a value of SEK 2,993 million, and preference shares to a value of 3,571 million (2,282). The price of a Class A ordinary share rose by 15 per cent (48) during the year while the price for a Class B ordinary share rose by 25 per cent. The development of the price for preference shares during the year was – 11 per cent. More information about shares in Klövern and a list of the largest shareholders can be found on pages 56–60.

SHARE REPURCHASE AND DIVIDEND

At year-end, Klövern no longer had any repurchased ordinary or preference shares. Klövern has been authorized by the 2015 Annual General Meeting to repurchase a maximum of 10 per cent on any occasion of the total number of registered shares during the period until the 2016 Annual General Meeting. According to the goals for 2016 in the business plan, dividend shall in the long term amount to at least 50 per cent of the profit from property management. When con-

sidering the amount of dividend, the Company's investment alternatives, financial position and capital structure are taken into account. During the past ten years, Klöver has, including the proposed dividend for ordinary shares and preference shares to be submitted to the Annual General Meeting, distributed an average of 63 per cent of the profit from property management to Klöver's shareholders. The business plan for 2016 also includes a goal that in the long term dividend to holders of preference shares is not to exceed 30 per cent of the profit from property management.

NOMINATIONS COMMITTEE

THE COMPOSITION OF THE NOMINATIONS COMMITTEE

The composition of the Nominations Committee is decided by the Annual General Meeting and has to be representative of the owners of the Company. It has the task of preparing proposals for the meeting to decide on. The Nominations Committee has to make proposals to the Annual General Meeting on:

- > the election of a Chairman of the Board
- > the appointment of directors with reasons for appointment, as well as on the number of directors and on their fees
- > auditors including fees and reasons for appointment
- > fees for work on committees
- > rules on the composition of the Nominations Committee for the period until the next Annual General Meeting
- > the procedure for replacing members of the Nominations Committee before their work is completed.

The work of the Nominations Committee

The 2015 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 for the Annual General Meeting in 2016 consists of Håkan Engstam (Corem Property Group), Rikard Svensson (Arvid Svensson Invest), Mia Arnhult (Rutger Arnhult via companies), Jesper Bonnivier (Länsförsäkringar) and Fredrik Svensson (Chairman of the Board). 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 styrelse-nominering@klovern.se or by telephone on +46 155-44 33 00. The Nominations Committee has of the 2016 annual general meeting had three minuted meetings and has also been in contact by phone and email. The Nominations Committee has focused on matters relating to evaluation of the Board, the number of directors and the competence of the Board.

ANNUAL GENERAL MEETING 2015

Klöver's Annual General Meeting for 2015 was held on 23 April at Kistamässan, Stockholm. The meeting was attended by 76 people, including shareholders, the Board, auditors, representatives, assistants, analysts and guests. Together they represented 64 per cent (64) of the votes in the Company. In addition to the mandatory matters stipulated in the Articles of Association, decisions were made on:

- > A dividend of 0.30 per ordinary share and SEK 20.00 per preference share.
- > Re-election of directors Fredrik Svensson, Rutger Arnhult, Ann-Cathrin Bengtson, Pia Gideon and Eva Landén.
- > Re-election of Fredrik Svensson as Chairman of the Board.
- > Re-election of, Fredrik Hävrén, Ernst & Young AB, as auditor.
- > Raising the board fee from a total of SEK 700,000 to SEK 715,000, of which the unchanged amount of SEK 280,000 is paid to the Chairman of the Board and SEK 145,000 to each board member. The fee payable to the members of the Board includes an increase of SEK 5,000. Members of the

THE COMPOSITION OF THE BOARD OF DIRECTORS DURING 2015

Director	Elected/Resigned	Independent	No. of board meetings attended	Fee, SEK 000s	Shareholding, % of capital ¹	Shareholding, % of votes ²
Fredrik Svensson, Chairman ¹	2005	No	18/18	280	15.7	15.9
Rutger Arnhult, CEO ^{1,2}	2009	No	16/18	–	10.2	10.7
Ann-Cathrin Bengtson	2011	Yes	17/18	145	–	–
Eva Landén ¹	2011	No	17/18	145	–	–
Pia Gideon	2013	Yes	18/18	145	–	–

TOTAL SHAREHOLDING

¹ Fredrik Svensson, Rutger Arnhult and Eva Landén are dependent on relatively large owners and Rutger Arnhult and Eva Landén are dependent in relation to the Executive Management.

² Rutger Arnhult also owns shares through companies corresponding to 38.9 per cent of the votes in Corem Property Group. Source Corem's year-end report for 2015.

³ Direct or indirect shareholding in the Company as at year-end 2015/16. Percentages of votes/capital have been rounded down to the nearest tenth of a percentage point.

Board who are at the same time employees of the Company receive no fees. Auditors' 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.
- > The location of the Company's registered office was changed from Nyköping to Stockholm.
- > Amendment of the conditions applying to preference shares with regard to the redemption price and amount receivable on dissolution of the Company.

Minutes of all Annual General Meetings are available (in Swedish) on Klövern's website, www.klovern.se. The 2016 Annual General Meeting will be held at Quality Hotel Globe, Stockholm at 10 am on 19 April 2016.

THE BOARD OF DIRECTORS

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.

Composition

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

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 Klövern'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 2015, two of these, Ann-Cathrin Bengtson and Pia Gideon, are also independent in relation to the major shareholders.

Rules of procedure

THE CHAIRMAN OF THE BOARD

The Chairman of the Board is elected at the Annual General Meeting, following a proposal by the Nominations Committee, and is responsible for leading and organizing the work of the Board efficiently, as well as acting as a discussion partner and support for the CEO. The Chairman must 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, directives and the rules of procedure
- > ensure that directors receive the requisite training and information to be able to analyze the Company's financial position, strategy, planning and development
- > carry out an annual evaluation of the Board's work
- > convene a Nominations Committee as directed by the Annual General Meeting and participate in its deliberations.

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 frequency of meetings, the division of duties and reporting between the Board, the Chairman of the Board and the CEO. Financial reporting, investments and transactions, market-related matters and organization are agenda items at every ordinary meeting. Other matters such as strategy and future-related matters, risk management, important policies, audit, internal management and control, the budget and the annual accounts are dealt with at specific meetings, according to a set calendar.

Committees

THE TASK OF COMMITTEES

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.

Klövern's Board considers that the whole Board, except the CEO, should participate in important discussions and decisions relating to audits and remuneration to the Executive Management. The whole of the Board, except the CEO, constitutes both the Remuneration and the Audit Committee. Members who are dependent in relation to the Executive Management do not participate in decisions concerning remuneration issues relating to the CEO. The Remuneration Committee prepares proposals for the Board on guidelines for remuneration and other terms of employment for the CEO and other senior executives in accordance with principles decided upon by the Annual General Meeting. The Remuneration Committee has had three minuted meetings during 2015. These meetings have dealt with matters such as remuneration and bonuses for the Executive Management.

The work of the Board during 2015

The work of the Board is evaluated annually using a systematic and structured process. The intention is to develop the way in which the Board works and its efficiency. In preparation for the evaluation in 2015 its members filled in a detailed questionnaire about the work of the Board and also about how cooperation with the Company and its Executive Management functioned. The results of the questionnaire were then presented orally by the Chairman of the Board at the meeting in December. A thorough discussion of these results by the Board led to proposals and adoption of enhanced forms and routines for its work.

The result of the evaluation was finally presented to the Nominations Committee by the Chairman of the Board and the outcome for 2015 showed that the work of the Board had functioned effectively, that its members possess skills that complement each other and that the composition of the Board encourages sound and frank discussion and a climate of cooperation.

During 2015, there have been six (6) ordinary meetings, one (1) meeting following its election, three (4) meetings with decisions by circulation and 8 (12) extraordinary meetings, making a total of 18 meetings (23). Each ordinary meeting has complied with the calendar laid down in the rules of procedure. This calendar stipulates that a report is to be made at each ordinary meeting on the result and financial position and major investments and transactions. In addition, the calendar includes matters relating to audit, internal control, remuneration, policies, evaluations and budget-related matters. The Head of Finance, Head of Transactions and Head of Real Estate regularly attend board meetings and this provides the Board the possibility of following up issues continuously with those responsible in the Company. Twice each year, the Board has a meeting that focuses on the business plan, strategy and future-related issues.

The meetings with decisions by circulation have con-

cerned decisions to submit interim reports and the annual report. Fredrik Svensson has been Chairman of Klövern's Board since the 2011 Annual General Meeting.

AUDITORS

Ernst & Young AB was elected as the Company's auditor at the Annual General Meeting in 2015 for the period until the 2016 Annual General Meeting. Fredric Hävrén was elected to be the new auditor-in-charge at Klövern AB. According to the Articles of Association, the auditors are elected annually.

Their mandate 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. Unless specifically decided otherwise, the auditors are to examine the Company's corporate governance report, review remuneration to the Executive Management and review the Company's nine-month report. These examinations are performed in accordance with good auditing standards in Sweden and compiled in audit reports and reports, which are considered annually by the Board. The reports to the Board state, for instance, whether Klövern is organized in such a way as to enable the accounts, financial management and other financial circumstances to be checked in a satisfactory way.

FREDRIC HÄVRÉN

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

Other assignments: Rodamco Sverige AB, ICA Fastigheter AB, Mengus Stockholm 2005 AB, HSB Bostad AB.

Shareholding in Klövern: no shares

THE GROUP

The Group structure of Klövern AB consists of the parent company Klövern AB and 26 directly owned subsidiaries (23). All operations are in Sweden and are organized in 17 business units. The cities are grouped in four regions, Stockholm, East, Central and South - in order, among other things, to share leading-edge expertise in project work and letting.

BOARD FEES

During 2015 the Board received remuneration totalling SEK 715,000 (700,000) to be divided between its members apart from the CEO. The Board comprised five members during 2015. The Chairman's remuneration amounted to SEK 280,000 (280,000) and the other members SEK 145,000 (140,000) for each member for a full year.

THE CEO AND EXECUTIVE MANAGEMENT

The CEO is appointed by and reports to the Board. The CEO's most important task is to take care of the day-to-day manage-

ment of the Company. In addition to the CEO, the Executive Management team consisted of two people during 2015.

The work of the Executive Management during 2015

The Executive Management has had five minuted meetings (6) during 2015. In addition to matters relating to day-to-day activity, matters of a financial nature, strategy, personnel, transactions and financial reporting are dealt with.

REMUNERATION AND INCENTIVE PROGRAMMES

The Board proposes, and the Annual General Meeting decides upon, the principles for remuneration and other terms of employment for the CEO 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 fees for the Board and its committees are proposed by the Nominations Committee and adopted by the Annual General Meeting. The Board's proposals on principles for remuneration and terms of employment to the 2016 Annual General Meeting remain the same as in previous years. For more information see note 3.

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.

CEO

Klövern's CEO is not entitled to variable remuneration. In addition to salary and a pension, the CEO's benefits in 2015 include health insurance, a company health promotion scheme, subsistence benefit and a company car, as well as a share in Klövern's profit-sharing foundation. While in the employment of the Company, the pension premium may amount to at most 35 per cent of the basic salary. The retirement age of the CEO is 65. In the event of termination at the Company's initiative, full salary and all benefits as described above are payable during the period of notice. The compensation is reduced by any income earned from any other employer. In the event of termination at the CEO's initiative, full salary and all benefits are payable during the period of notice while employment continues. The period of notice is twelve months

if notice is given by the Company and six months if notice is given by the CEO. No severance pay is paid.

Other senior executives

Variable salary to Klövern's permanent senior executives may amount to the equivalent of three monthly basic salaries at most. Variable salary is based on outcome in relation to goals for operating surplus, net profit and net letting. The pension premium may not exceed 35 per cent of the basic salary. The retirement age is 65. The period of notice is 12 months if notice is given by the Company and six months if notice is given by the employee. No severance pay is paid. Benefits in addition to salary and pension include health insurance, a company health promotion scheme, subsistence benefit, a share in Klövern's profit-sharing foundation and a company car.

Other employees

The principle of market level competitive salaries also applies to other employees. All employees are covered by defined contribution pension schemes which are paid for by the Company. Benefits in addition to salary and pension are health insurance, a company health promotion scheme, subsistence benefit and a share in Klövern's profit-sharing foundation. There is a collective agreement with the Swedish Building Maintenance Workers' Union. The Company had a staff of 214 (190) at year-end 2015.

Auditors

The auditors' fees are determined by the Annual General Meeting according to a proposal from the Nominations Committee. The 2015 Annual General Meeting decided that the fee should be paid in accordance with approved invoices. The fees for audit assignments totalled SEK 3.1 million (2.4) in 2015. Remuneration for other consultations totalled SEK 0 million (0.4).

Profit-sharing foundation

Klövern's profit-sharing foundation covers all employees who have been employed on the date of the Annual General Meeting for the relevant financial year and benefits for individuals are specified in the provisions in the Foundation's articles. The amount transferred to the foundation may not exceed one price base amount per employee and is based on a combination of Klövern's profit, return on equity and dividend to shareholders. At the end of 2015, the Foundation owned 481,000 Class A ordinary shares, 4,960,000 Class B ordinary shares and 15,012 preference shares in Klövern corresponding to 0.5 per cent of the total share capital and 0.5 per cent of the number of votes. SEK 10 million has been allocated to the foundation for the 2015 financial year including payroll tax. Further information on these benefits is available in note 3, on pages 92-94.

BOARD OF DIRECTORS

The Board of Directors consists of five members with Fredrik Svensson as Chairman.

FREDRIK SVENSSON

Chairman since the 2011 Annual General Meeting. Director 2005-2011.
Born in 1961.
CEO of AB Arvid Svensson.

Other board assignments: Chairman of Case Investment AB, Chairman of Primelog. Director of Fastighets AB Balder (publ).

Education: Graduate in business administration.

Shareholding in Klövern: 13,299,733 Class A ordinary shares, 132,997,330 Class B ordinary shares and 685,122 preference shares through company, directly and indirectly.

Dependent in relation to a major shareholder.

EVA LANDÉN

Director since the 2011 Annual General Meeting. Born in 1965.
CEO of Corem Property Group AB (publ.).

Other board assignments: Specialfastigheter AB

Education: Graduate in business administration.

Shareholding in Klövern: No shareholding.

Dependent in relation to the Company, the Executive Management and a major shareholder.

ANN-CATHRIN BENGTON

Director since the 2011 Annual General Meeting. Born in 1962.

Other board assignments: Director of Best Western Hotels, Flyinge AB and Strömsholm AB.

Education: Graduate in business administration.

Shareholding in Klövern: No shareholding
Independent director.

PIA GIDEON

Director since the 2013 Annual General Meeting. Born in 1954.

Other board assignments: Svevia AB, Qlucore AB, Metria AB, Proact IT Group AB and MinDoktor.se.

Education: Graduate in business administration.

Shareholding in Klövern: No shareholding.
Independent director.

RUTGER ARNHULT

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

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

Education: Graduate in business administration.

Shareholding in Klövern: 9,376,732 Class A ordinary shares, 85,173,646 Class B ordinary shares and 596,955 preference shares, via company, directly and indirectly.

Dependent in relation to the Company, the Executive Management and a major shareholder.

Shareholdings are as of 31 Dec 2015.



Eva Landén

Ann-Cathrin Bengtson

Fredrik Svensson

Pia Gideon

Rutger Arnhult

EXECUTIVE MANAGEMENT

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



PEETER KINNUNEN

Head of Transactions

Born in 1973

Employed since 2012.

Education: Master's degree in engineering.

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

Board assignments: Director of AB Estniska Huset.

Shareholding in Klöver: 42,800 Class B ordinary shares, 2,145 preference shares via company and directly.



SUSANNE ESSEHORN

Head of Stockholm Region

(2015: *Head of Real Estate*)

Born in 1964

Employed since 2014.

Education: Graduate in business administration.

Previous employment: Head of Real Estate AB Sagax and CEO Söderport Holdings AB 2010–2014, Senior Asset Manager at GE Capital Real Estate 2006–2010.

Board assignments: No external.

Shareholding in Klöver: 29,000 Class A ordinary shares.



RUTGER ARNHULT

CEO

Born in 1967

Employed since 2012.

Education: Graduate in business administration.

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

Shareholding in Klöver: 9,376,732 Class A ordinary shares, 85,173,646 Class B ordinary shares and 596,955 preference shares, via company, directly and indirectly.



JENS ANDERSSON

Head of Finance

Born in 1973

Employed since 2013, member of the executive management since March 2016.

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

Shareholding in Klöver: 37,000 Class B ordinary shares via company and indirectly.

Shareholdings are as of 31 Dec 2015.

REMUNERATION

Amount in SEK 000s	2015	2014
<i>Chairman of the Board</i>		
Fredrik Svensson	280	280
<i>Other directors</i>		
Ann-Cathrin Bengtsson	145	140
Eva Landén	145	140
Pia Gideon	145	140
<i>CEO</i>		
Basic salary	4,379	4,128
Variable salary	0	0
Benefits	155	192
<i>Deputy CEO (Jan.–Oct.)</i>		
Basic salary	0	1,280
Variable salary	0	0
Benefits	0	80
<i>Other senior executives, 2 individuals (4.5)</i>		
Basic salary	3,647	5,395
Variable salary	713	55
Benefits	203	484
<i>Other employees</i>		
Basic salary	95,679	87,168
Variable salary	1,989	885
Benefits	6,232	5,520
TOTAL	113,712	105,887
<i>Contractual pension costs (including Fora)</i>		
CEO	1,554	1,437
Deputy CEO (Jan.–Oct.)	0	445
Other senior executives, 2 individuals (4.5)	1,429	1,396
Other employees	11,869	10,373
TOTAL	14,852	13,651
<i>Statutory social costs incl. payroll tax</i>		
Chairman of the Board	88	88
Other board members	139	133
CEO	1,802	1,711
Deputy CEO (Jan.–Oct.)	0	582
Other senior executives, 2 individuals (4.5)	1,779	2,106
Other employees	34,835	30,268
TOTAL	38 643	34,888

INTERNAL GOVERNANCE AND CONTROL

Klöver encounters risks every day that can have an impact on its operations and ability to achieve the set goals. Good internal governance and control is required to limit these risks.

The Board's responsibility for financial reporting

According to the Companies Act and the Swedish Code of Corporate Governance, the Board bears ultimate responsibility for 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 is based on the parameters of COSO, the Committee of Sponsoring Organizations of the Treadway Commission, to enable the organization's risks to be sorted and structured. In addition the requirements of the legislation, regulatory frameworks and recommendations, processes are largely governed by internal policies and directives. Internal governance affects all functions in the Company and includes risk assessment and routines as well as following up goals.

The control environment

The control environment and control measures ensure the effectiveness of the Company and serve as the basis for internal control. The control environment provides understanding for the Company's values at the same time as it secures compliance with policies and goal fulfilment. The formal decision-making procedure is based on the division of responsibility between the Board and the CEO and includes 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
- > Information and IR policy
- > Equality plan
- > Procurement of goods and services from closely linked companies as well as the provision of goods and services to closely linked companies
- > Sustainability plan
- > IT policy
- > Crisis management policy
- > Bribery 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. These documents provide support and guidance and include both decision-making processes for every individual member of staff and include both decision-making paths and allocation of responsibility, methods of approach and powers.



The Board meets under the chairmanship of Fredrik Svensson.

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. The Finance Department and the Real Estate Department work alongside one another and conduct continuous follow-ups and analyses at group, subsidiary and property level of results, balances and verification levels to ensure compliance with the guidelines. A limited number of people are authorized to sign for the Company and attestation rules have been drawn up.

The Group's operations, financial administration and management are audited twice a year by the Company's auditors who report their observations and any comments directly to the Board. The Board regularly evaluates the information provided by the Executive Management and the auditors.

The principles for accounting, reporting and auditors' comments are reviewed in connection with the ordinary audit of the annual accounts.

Information and communications

External information is managed in accordance with the information and IR policy adapted to the regulatory framework of Nasdaq Stockholm and the Swedish Code of Corporate Governance and is communicated through press releases and the website.

The Executive Management's internal information is communicated mainly through the Executive Management group's minuted meetings. Communication in the Company takes place, for instance, through regular conferences and meetings with those responsible for the respective business units and other managers. Relevant internal and external information is provided continuously to the staff concerned. Internal information is largely communicated through the Company's intranet. The main purpose of the intranet is to

provide staff with a structured holistic picture of the operations and to provide an easily accessible platform from which current information and documentation can be obtained.

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 the budget and forecast according to a tried and tested model. 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 has a decentralized and transparent organization where financial activities, economic and rental administration, as well as external and the major part of internal information are largely dealt with by the service office and head office. Follow-up of the result and balances is undertaken each quarter by both the individual functions and by the business units, the Executive Management and the Board. The Head of Finance, Head of Transactions and Head of Real Estate attend board meetings regularly. Clear documentation through policies and instructions accompanied by recurrent follow-ups and regular discussions with auditors ensure the correctness of the processes. Management and reporting are examined formally by the Company's auditors three times a year and the outcome is reported to the Board. Based on the above, it is not considered that there is any need for internal audit. Detailed information on Klövern's risk assessment, exposure and management is contained in the section Risk and Sensitivity which can be found on pages 62–65.

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.

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 23 April 2015.