

# Corporate governance

Corporate governance consists of the decision systems through which shareholders control the company directly and indirectly. Corporate governance has been developed through legislation, recommendations and self-regulation. Transparency of communication is another important component.

## ADOPTION OF THE SWEDISH CODE OF CORPORATE GOVERNANCE

Kungsleden adopted the Swedish Code of Corporate Governance ("the Code") on 1 July 2005 and has prepared this Corporate Governance Report as part of its adoption of the Code.

The Corporate Governance Report reviews how Kungsleden observed the Code in the financial year. There were no instances of non-compliance with individual Code stipulations. Readers should note that the report has not been reviewed by the company's Auditors.

## ANNUAL GENERAL MEETING

The Annual General Meeting for the financial year 2007 was held on 17 April 2008. The AGM resolved on dividends, election of the Board of Directors, remuneration to the Board of Directors and Auditors, remuneration principles and other employment terms for senior executives, election of the Nomination Committee and the second part of the planned three-year performance-related staff stock option plan for key staff, approved by the AGM 2007.

A report on the AGM is available from Kungsleden's website.

The AGM for the financial year 2008 will be held on 22 April 2009 at Hotel Rival, Mariatorget 3, Stockholm, Sweden. For more information on the AGM, please refer to the last page of this Annual Report and Kungsleden's website.

## Proceedings at shareholders' meetings

Considering Kungsleden's shareholder base and economic viability, the Board of Directors cannot justify offering shareholders the opportunity to participate at shareholders' meetings remotely, nor offering simultaneous interpretation of shareholders' meetings or translations of the material presented at the AGM. The notice convening the AGM will be available in English, while other material for the AGM will only be produced in Swedish. After conducting the Meeting, an audiovisual recording of the Chief Executive's statement, and minutes from the Meeting, will be available at Kungsleden's website.

## NOMINATION PROCESS

Pursuant to the current instructions on the Nomination Committee's activities, the Nomination Committee will comprise a minimum of three and a maximum of five members and the Chairman of the Board. Three of the members will represent those shareholders that are among the largest shareholders in terms of the vote as of 31 January each year, and that also wish to participate in Nomination Committee activities.

The members are elected by the AGM for the period extending until the end of the following AGM.

The Nomination Committee's tasks include preparing and submitting pro-

posals to the AGM regarding the Board composition, Directors' and Auditors' fees, and when appropriate, the election of Auditors.

## Nomination Committee

The AGM 2008 elected KG Lindvall (representing Swedbank Robur fonder), Gunnar Balsvik (representing Kåpan Pensioner Försäkringsförening), Olle Florén (representing Olle Florén and companies) and Chairman of the Board Bengt Kjell as members of the Nomination Committee. The Nomination Committee appointed KG Lindvall as Chairman and Kungsleden's General Counsel Åke Theblin as its secretary. On 22 September 2008, Carl Rosén, representing the Second AP Fund, joined the Nomination Committee, which as stated in an announcement of 16 September 2008, had become Kungsleden's largest shareholder with approximately 5.1 per cent of the shares of the company. Carl Rosén was appointed Chairman of the Nomination Committee at a meeting on 12 November 2008.

A statement of the Nomination Committee's activities has been uploaded to Kungsleden's website.

## BOARD OF DIRECTORS

The parent company's current Articles of Association stipulate the company's Board of Directors comprising a

## Attendance at Board and Committee meetings in 2008

	Board of Directors		Audit Committee		Remuneration Committee	
No. of meetings, total		18		4		3
Bengt Kjell	x	0	18		x	0
Jonas Nyrén	x		15	x	0	4
Anna Weiner Jiffer	x		16	x		4
Per-Anders Ovin	x		16	x		4
Jan Nygren	x		15		x	
Thomas Erséus	x		18			1
Magnus Meyer <sup>1</sup>	x		14			
Jens Engwall	x		15			
Mats Israelsson <sup>2</sup>	x		1		x	
<b>Average attendance, %</b>			<b>89</b>			

x - Member of Board/Committee  
1 - Elected at AGM 2008

0 - Chairman of Board/Committee  
2 - Resigned at AGM 2008

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minimum of three and a maximum of eight members with a maximum of two deputies. The Board members and deputies are elected annually at the AGM for the period until the end of the next AGM. The AGM in 2008 elected Magnus Meyer as a Board member after Mats Israelsson declined re-election. Other Board members were re-elected. No deputies were elected.

## Board activities and rules of procedure

Board activities conform to the rules of procedure adopted, and the instructions issued, regarding the division of responsibility between the Board of Directors and Chief Executive, and the forms for financial reporting to the Board. The Board must meet a minimum of six times annually, with each meeting following an approved agenda. Decision-support data for each proposal on the agenda was sent to each Board member in advance. The rules of procedure also stipulate that the Board ensures that

Kungsleden's Auditors personally attend at least one Board meeting per year, presenting their observations from their audit, and their evaluation of the company's internal controls.

## Board composition

The Board has eight members. Bengt Kjell was elected Chairman of the Board at the AGM 2008. The Board has been composed to provide active and effective support to the management in Kungsleden's development. Moreover, the Board will observe and monitor operations. Accordingly, skills and experience of segments including the property sector, finance, business development and capital market issues are particularly important in the Board.

Pursuant to the definitions of the Code, Thomas Erséus is not independent, due to him being Chief Executive of the company. Other members are independent of Kungsleden, the corporate management and major shareholders.

## Board activities in 2008

In 2008, the Board met on 13 occasions, all in Stockholm. Per capsulam meetings were held on 5 occasions coincident with acquisition, divestment and funding issues. Attendance at each Board meeting is stated in the table on page 45. The Board considered issues including Kungsleden's strategy, targets, business plan, market, external reporting, property acquisitions and divestments, investments in existing properties, raising loans and other funding issues, preparing sales mandates and incentive schemes. Both Deputy Chief Executives, and the General Counsel, also the Board secretary, also attended Board meetings.

## Directors' fees

Fees are payable to the Board pursuant to AGM resolution. Additionally, after proposals from the Nomination Committee, the Meeting also resolves on the division of fees between the Chairman and Board members. No

## Board of Directors

**Per-Anders Ovin.** Board member. Born in 1956, B.Sc. (Econ.) from the Stockholm School of Economics. Elected to the Board in 2003. Main employment: self-employed. Other assignments: Chairman of Mengus Stockholm AB, Board member of Catella Capital AB and EDX Ltd. Kungsleden shareholding: 0.

**Jens Engwall.** Board member. Born in 1956, B.Sc. (Eng.). Elected to the Board in 2006. Main employment: self-employed. Other assignments: Chairman of Runsvengruppen AB and N & R Properties Ltd. Board member of Vasallen AB, Tengbomgruppen AB, Ruric AB, Cheng de Intressenter AB, Catella Financial Advisory AB, Bonnier Cityfastigheter and Reinhold Polska AB. Kungsleden shareholding: 0.

**Jan Nygren.** Board member. Born in 1950, senior high school graduate. Elected to the Board in 2006. Main employment: independent consultant. Other assignments: Chairman of ISAK, Information AB, PrimeKey Solution AB and CombuTech AB. Board member of GE Moneybank, E.ON Sverige AB and Tiohundra AB. Chairman of the Swedish High Command's advisory board on societal contacts. Kungsleden shareholding: 1,600.

**Bengt Kjell.** Chairman of the Board. Born in 1954, B.Sc. (Econ.) from the Stockholm School of Economics. Elected to the Board in 1996. Main employment: Deputy Chief Executive, Industrivärden. Other assignments: Chairman of Indutrade AB. Board member of Skanska AB, Höganäs AB, Munters AB, Pandox AB and Helsingborgs Dagblad AB. Kungsleden shareholding: 40,000.

**Anna Weiner Jiffer.** Board member. Born in 1971, B.Sc. (Eng.) Elected to the Board in 2003. Main employment: Business Leader, IKEA of Sweden. Other assignments: Board member of Railcare Group AB, Ellen AB, Modul 1 Data and Serendipity AB. Kungsleden shareholding: 1,200.

**Thomas Erséus.** Board member and Chief Executive. Elected to the Board in 2007. See page 49.

**Jonas Nyrén.** Board member. Born in 1951, B.Sc. (Econ.) from the Stockholm School of Economics. Elected to the Board in 2001. Main employment: Chief Executive of Bonnier Holding AB and Albert Bonnier AB. Other assignments: Board member of SkandiaBanken AB, Bisnode AB and a number of Bonnier group companies. Kungsleden shareholding: 22,050.

**Magnus Meyer.** Born in 1967, B.Sc. (Eng.) and Licentiate of Technology from the Royal Institute of Technology, Stockholm. Elected to the Board in 2008. Main employment: CEO of Tengbomgruppen AB. Other assignments: Board member of Tengbomgruppen AB, Culmen AB and member of DTZ's Advisory Board. Kungsleden shareholding: 0.

*The above information for shareholdings is as of 31 December 2008, and includes holdings through companies and related parties.*



fees are payable to Board members employed by Kungsleden. The AGM 2008 resolved on fees to ordinary members of SEK 220,000 annually and fees of SEK 475,000 annually to the Chairman of the Board. The AGM also resolved on fees to members of the Remuneration Committee of SEK 25,000 annually, fees of SEK 50,000 annually to the Chairman of the Audit Committee and fees of SEK 25,000 annually to members of the Audit Committee.

#### **BOARD COMMITTEES**

The Board has inaugurated two internal committees, a Remuneration Committee and an Audit Committee, responsible for preparing issues in their relevant areas of responsibility.

#### **Remuneration Committee**

The Board meeting following election in April 2008 appointed a Remuneration Committee comprising Bengt Kjell and

Jan Nygren. This Committee submits proposals to the Board regarding the Chief Executive's employment terms, the terms for the group management and principle issues relating to pensions, salaries, redundancy pay, fees and benefits.

#### **Audit Committee**

The Board meeting following election in April 2008 appointed an Audit Committee comprising Jonas Nyrén, Per-Anders Ovin and Anna Weiner Jiffer. Jonas Nyrén was Chairman of the Audit Committee. The purpose of the Audit Committee is to provide a dedicated forum for accounting and audit issues.

The Audit Committee's areas of responsibility include Kungsleden's internal monitoring and control systems, and quality-assuring external financial reporting. The Committee held three meetings in 2008. Kungsleden's Auditors and representatives of the company attended all meetings.

#### **INTERNAL CONTROLS**

Pursuant to the Swedish Companies Act and the Code, the Board is responsible for internal controls. This Report has been prepared pursuant to section 11.2 and 10.5 of the Code, and is thus confined to internal control of financial reporting.

The control environment the Board and management continually utilises forms the foundation of internal controls, although decision-paths, authorisation and responsibility delegated and communicated within the organisation are also important. Kungsleden works continuously and actively on mapping, evaluating and managing the risks the company is exposed to in its operations. Kungsleden is a process-oriented company, and integrates risk assessment routines into its essential business processes. The risks identified relating to financial reporting are managed through the company's control structure encompassing business controls and business planning processes including



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supporting IT systems. Examples of control documents are the tools for monitoring operations developed and used both as preparations ahead of property acquisitions and divestments, and for overall monitoring of operations, and as support in valuations.

Kungsleden has designed its internal controls so that it conducts expedient control activities at an overall level (such as ongoing profit analysis on the basis of operational and legal group structures and analysis of key figures) and more routine and system-oriented controls such as reconciliations, certification and similar controls intended to prevent, discover and rectify misstatements and variances. Control activities have been designed to manage the essential risks associated with financial reporting. The Board of Directors receives ongoing financial reporting and each scheduled Board meeting considers the group's financial position. The company's Auditors also personally

report their observations from their audit, and their evaluation of internal controls, each year.

On assignment from the Board, the management is conducting a project to document the internal control of financial reporting in the company.

Kungsleden has no internal audit function. An external party reviewed the company's processes for its financial statement, tax and business plans in the year. The internal controls are considered satisfactory and expedient for an organisation of Kungsleden's size, and accordingly, the Board and management do not see any need for an internal audit function.

### AUDITORS

Authorised Public Accountant Björn Flink, practising at KPMG Bohlins AB, has been elected as the Auditor of the parent company for the period until the AGM 2011 inclusive. Authorised Public Accountant George Pettersson,

practising at KPMG Bohlins AB, was appointed Deputy Auditor for the period until the AGM 2011 inclusive. In addition to auditing, in recent years, KPMG has also provided other services, mainly tax advisory services.

Fees are payable on approved account. In 2008, audit fees were SEK 6.2 (6.7) m for the group.

### GROUP MANAGEMENT

The group management comprises Kungsleden's Chief Executive, the Deputy Chief Executive/Chief Financial Officer, the Deputy Chief Executive/Business Development & Strategy, the Divisional Managers, the HR & Corporate Communications Manager and General Counsel. The Divisional Manager of Retirement homes Germany resigned in the autumn as a result of its merger with the Public properties division. The Deputy Chief Executive/Business Development & Strategy left the company at year-end 2008.





### Remuneration to the group management, etc.

Pursuant to the principles approved by the AGM 2008 for remuneration and other employment terms for Kungsleden's senior executives, remuneration to the group management consists of basic salary, performance-related pay, other benefits and pension. The principles governing remuneration to the Board of Directors and group management, and the scale of remuneration payable for 2008 is stated in Notes 6 and 7 of the Annual Report. Note 7 also states the conditions for bonus agreements. The group management is eligible for the performance-related staff stock option plan approved by the AGMs of 2007 and 2008.

In 2008, 25,000 staff stock options each were granted to the Chief Executive and Deputy Chief Executives relating to the staff stock option plan approved by the AGM 2007, and

12,000 stock options each to the other senior executives that are members of the group management. The exercise price is set at SEK 113.34.

Granting of staff stock options in the staff stock option plan approved by the AGM 2008 is dependent on the Kungsleden group's profit for calculating dividends for 2008 and implies that a maximum of 30 key staff of the Kungsleden group are entitled to acquire a maximum of 300,000 shares of the company. The maximum term of the staff stock options is four years from the grant date, and accordingly, concludes on 31 March 2013. The staff stock options can be exercised to acquire shares from 1 June 2011 at the earliest to 31 March 2013, both dates inclusive, providing the employee remains employed by the group. The exercise price is 115 per cent of the average volume-weighted price paid on NASDAQ OMX Stockholm for the period

of ten trading days immediately after the AGM 2008 and has been set at SEK 70.91.

As of 1 March 2009, the cost of the plan is approximately SEK 400,000. More detail on the incentive scheme is available at Kungsleden's website, [www.kungsleden.se](http://www.kungsleden.se).

In 2009, 25,000 staff stock options each were granted to the Chief Executive and Deputy Chief Executives relating to the staff stock option plan approved by the AGM 2008, and 12,000 stock options each to the other senior executives that are members of the group management. The Board of Directors' decision on granting is conditional on the AGM 2009 approving the Board of Directors' granting decision in the manner stated in the notice convening the AGM 2009.



### Management

**Göran Linder.** Divisional Manager, Public properties. Born in 1968, has a B.Sc. (Econ.) from the University of Örebro. Kungsleden employee since 1998, has been in current position since 2006. Previous experience: Management Consultant, Ernst & Young, Controller, ABB. Kungsleden shareholding: 18,000.

**Åke Theblin.** General Counsel. Born in 1961, LL.B. from the University of Stockholm. Kungsleden employee since 2001. Previous experience: General Counsel, AP Fastigheter AB, Advokat Hellström Advokatbyrå AB. Kungsleden shareholding: 20,500.

**Thomas Erséus.** Chief Executive. Born in 1963, B.Sc. (Eng.) from Chalmers University of Technology, Gothenburg. Kungsleden employee since 2006. Other assignments: Board member of HQ Bank AB, Bravida AB and DSV Miljö A/S of Denmark. Previous experience: President and CEO of WSP Europe AB, CEO of AB Jacobson & Widmark. Kungsleden shareholding: 80,000.

**Cecilia Gannedahl.** HR & Corporate Communications Manager. Born in 1962, B.Sc. (Econ.) from the University of Linköping. Kungsleden employee since 2007. Previous experience: Chief Executive of GCI Stockholm AB, Marketing/Business Area Manager, Roche AB. Kungsleden shareholding: 1,600.

**Eskil Lindnér.** Divisional Manager, Commercial properties. Born in 1959, B.Sc. (Eng.) from the University of Technology, Lund. Kungsleden employee since 1999, has been in current position since 2006. Previous experience: Property Manager, JM AB, Property Manager, Nordbanken Fastigheter AB. Kungsleden shareholding: 24,440.

**Johan Risberg.** Deputy Chief Executive/Chief Financial Officer. Born in 1961, has a B.Sc. (Econ.) from the Stockholm School of Economics. Kungsleden employee since 1996, in current position since 1998. Previous experience: Group Controller, Securum AB, CFO/Business Controller, Convector Fastighets AB. Kungsleden shareholding: 208,000.

**Per Johansson.** Divisional Manager Nordic Modular. Born in 1959, B.Sc. (Eng.) from the Royal Institute of Technology, Stockholm. Kungsleden employee since 2007. Previous experience: Chief Executive of Spokesman AB and of Skanska Modul AB. Kungsleden shareholding: 5,000.

*The above information for shareholdings is as of 31 December 2008, and includes holdings through companies and related parties.*

# Audit Report

To the Annual General Meeting of  
Kungsleden AB (Publ.)  
Corporate identity number 556545-1217

I have audited the annual accounts, the consolidated accounts, accounting records and the administration of the Board of Directors and the Chief Executive of Kungsleden AB (publ) for the year 2008. The annual accounts of the company are included in the printed version of this document on pages 50–76. These accounts and the administration of the company, and the application of the Swedish Annual Accounts Act when preparing the annual accounts, and the application of IFRS (International Financial Reporting Standards) as endorsed by the EU and the Swedish Annual Accounts Act when preparing the consolidated accounts, are the responsibility of the Board of Directors and the Chief Executive. My responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on my audit.

I conducted my audit in accordance with generally accepted accounting principles in Sweden. Those standards require that I plan and perform the audit to obtain reasonable assurance that the annual accounts and consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence sup-

porting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the Chief Executive and significant estimates made by the Board of Directors and the Chief Executive when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and consolidated accounts. As a basis for my opinion concerning discharge from liability, I examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the Chief Executive. I also examined whether any Board member or the Chief Executive has, in any other way, acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act or the Articles of Association. I believe that my audit provides a reasonable basis for my opinion set out below.

The annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted

accounting principles in Sweden. The consolidated accounts have been prepared in accordance with IFRS as endorsed by the EU and the Swedish Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

I recommend to the Annual General Meeting that the Income Statement and Balance Sheet for the parent company and for the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Chief Executive be discharged from liability for the financial year.

Stockholm, Sweden, 13 March 2009



Björn Flink  
Authorised Public Accountant