

# 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.**

## **CHAIRMAN OF THE BOARD'S FOREWORD**

Good corporate governance is intended to safeguard owners' interests in a true, fair and responsible manner. This is especially important in companies where ownership is diversified and there is no clear principal owner. Kungsleden has attracted a broad base of owners, extending from major Swedish institutions to individual savers. From time to time, foreign players have had relatively sizeable participating interests. At year-end, Kungsleden had some 25,000 shareholders.

Our owners follow the company with great interest. Accordingly, open, transparent and accurate communication is important so that shareholders and

other stakeholders can understand and judge Kungsleden's progress.

I have been a member of Kungsleden's Board for seven years, and thus know the company well. As I'm new in the role of Chairman, I think it's important to maintain that good corporate governance and control is highly significant to the company's positive progress. We should have a culture in the company that supports good governance with clear structures and areas of responsibility, and because this promotes business operations.

After the turbulence created by the financial crisis, 2009 was largely a year of consolidation. For Kungsleden to be well prepared for its future, the Board's

work in the year was very focused on ensuring a healthy Balance Sheet. This involved further enhancement of the property portfolio and increasing its property yields through targeted investment.

Ahead of an expected cyclical upturn, the Board also spend time on discussing and evaluating a range of expansion and future scenarios.

Per-Anders Ovin  
*Chairman of the Board*



## **ADOPTION OF THE SWEDISH CODE OF CORPORATE GOVERNANCE**

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

This reviews how Kungsleden has applied the Code in the past 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 2008 was held on 22 April 2009. 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 and election of the Nomination Committee.

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

The AGM for the financial year 2009 will be held on 28 April 2010 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 invitation to 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 for the work of the Nomination Committee, 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 proposals to the AGM regarding the Board composition, Directors' and Auditors' fees, and when appropriate, the election of Auditors.

#### NOMINATION COMMITTEE

The AGM 2009 elected KG Lindvall (representing Swedbank Robur fonder), Carl Rosén (representing the Swedish Second Pension Insurance Fund, AP2), Olle Florén (representing Olle Florén and companies) and the then 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 21 May 2009, Bengt Kjell left Kungsleden's Board on his own request and Per-Anders Ovin was elected Chairman on 26 May 2009, subsequently replacing Bengt Kjell on the Nomination Committee. On 25

March 2009, Carl Rosén was replaced by Martin Jonasson, as representative of AP2. On 31 August 2009, Frank Larsson, representing Handelsbanken fonder, which was Kungsleden's third largest shareholder on 31 July 2009 with approximately 1.7 per cent of the shares of the company, joined the Nomination Committee.

#### BOARD OF DIRECTORS

The parent company's current Articles of Association stipulate the company's Board of Directors comprising a 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 2009 elected Charlotta Wikström and Leif Garph as Board members after Jens Engwall and Anna Weiner Jiffer declined re-election. Other Board members were re-elected. No deputies were elected. After Bengt Kjell left the Board, the Board of Directors consisted of seven members, and accordingly did not have the full number of members.

#### THE WORK OF THE BOARD AND RULES OF PROCEDURE

The work of the Board of Directors conforms 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 is 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 review of the company, and their evaluation of the company's internal controls.

Members of the Board are appraised annually through an internal process led by the Chairman of the board. Reports are submitted to the Nomination Committee.

#### BOARD COMPOSITION

The Board has seven members. Bengt Kjell was elected Chairman of the Board at the AGM 2009. Per-Anders Ovin was appointed Chairman on 26 May 2009, after Bengt Kjell requested to leave the Board on 21 May 2009. The Board has been composed to provide active and effective support to management in Kungsleden's development. Moreover, the Board will observe and monitor operations. Accordingly, skills and

### Attendance at Board and Committee meetings in 2009

	Board of Directors		Audit Committee	Remuneration Committee		
Per-Anders Ovin	x	o	15	x	o	2
Jonas Nyrén	x		14	x	o	3
Leif Garph <sup>1</sup>	x		12	x		3
Jan Nygren	x		14		x	4
Charlotta Wikström <sup>1</sup>	x		12		x	2
Thomas Erséus	x		15			
Magnus Meyer	x		15			
Bengt Kjell <sup>2</sup>	x		7		x	2
Anna Weiner Jiffer <sup>3</sup>	x		3	x		1
Jens Engwall <sup>3</sup>	x		3			
<b>No. of meetings, total</b>	<b>15</b>		<b>4</b>	<b>4</b>		
Average attendance, %	99					

x – Member of Board/Committee

O – Chairman of Board/Committee

<sup>1</sup> Elected at AGM 2009

<sup>2</sup> Resigned in May 2009, Chairman January-May

<sup>3</sup> Resigned at AGM 2009

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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. Pursuant to NASDAQ OMX Stockholm's rules for issuers of 1 January 2009, major shareholders mean shareholders

that directly or indirectly control 10 per cent or more of the shares or votes of the company.

## THE WORK OF THE BOARD IN 2009

In 2009, the Board met on 12 occasions, all in Stockholm. Per capsulam meetings were held on three occasions to deal with acquisition, divestment and funding issues. Attendance at each Board meeting is stated in the table on page 51. 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 changes to the Board of Directors. The Deputy Chief Executive 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

## Nomination committee

Since 31 August 2009, the Nomination Committee has had the following members:

KG Lindvall, representing Swedbank Robur fonder, Chairman

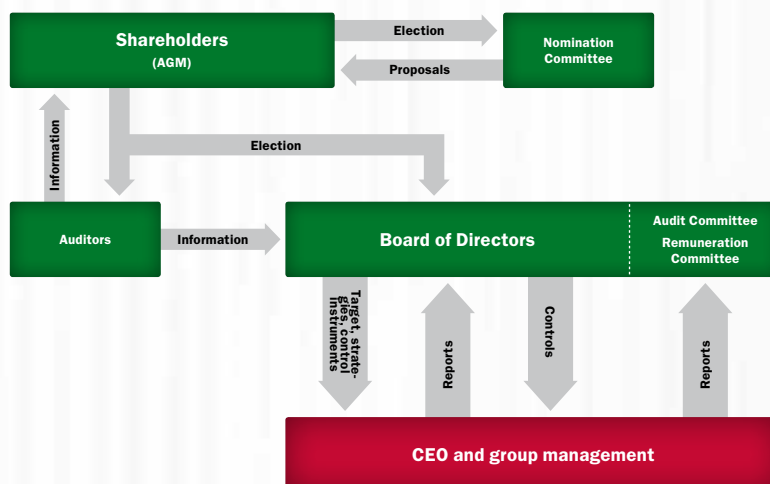
Martin Jonasson, representing AP2

Olle Florén, representing Olle Florén and companies

Frank Larsson, representing Handelsbanken Fonder

Per-Anders Ovin, Chairman of the Board of Kungsleden

A review of the work of the Nomination Committee is available at Kungsleden's website.



## Board of Directors

**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 PrimeKey Solution AB, CombuTech AB and University West. Board member of GE Moneybank, Tiohundra AB and Novus Opinion AB. Member of E.ON Sverige AB's Advisory Board. Kungsleden shareholding: 1,600. Independence: this member is considered as independent of the company and the corporate management, and of major shareholders of the company.

**Per-Anders Ovin.** Chairman of the Board. 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 and Board member of Catella Capital AB. Kungsleden shareholding: 0. Independence: this member is considered as independent of the company and the corporate management, and of major shareholders of the company.

**Magnus Meyer.** Board member. 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 Hemsö Fastighets AB, Tengbomgruppen AB, Culmen AB and member of DTZ's Advisory Board. Kungsleden shareholding: 0. Independence: this member is considered as independent of the company and the corporate management, and of major shareholders of the company.

**Leif Garph.** Board member. Born in 1955, B.Sc. (Eng.) in property finance and graduate studies in economics. Elected to the board in 2009. Main employment: chief executive of Sparbössan Fastigheter AB. Other assignments: Chairman of the Board of Stockholm student accommodation provider SSSB and a member of Svensk Bostadsfond's Advisory Board. Kungsleden shareholding: 0. Independence: this member is considered as independent of the company and the corporate management, and of major shareholders of the company.

**Thomas Erséus.** Board member and Chief Executive. Elected to the Board in 2007. See page 54. In his capacity as Chief Executive, this member is not considered independent of the company.

**Charlotta Wikström.** Board member. Born in 1958, B.Sc. (Econ.) Elected to the Board in 2009. Main employment: HR Director of Eniro AB. Kungsleden shareholding: 10,000. Independence: this member is considered as independent of the company and the corporate management, and of major shareholders of the company.

**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. Board member of Hemsö Fastighets AB, Bisnode AB and a number of Bonnier group companies, including chairmanship of Bonnier Fastigheter AB. Kungsleden shareholding: 22,050. Independence: this member is considered as independent of the company and the corporate management, and of major shareholders of the company.

The above information is for shareholdings as of 31 December 2009, and includes holdings through companies and related parties.

proposals from the Nomination Committee, the Meeting also resolves on the division of fees between the Chairman and Board members. No fees are payable to Board members employed by Kungsleden. The AGM 2009 resolved on fees to ordinary members of SEK 220,000 annually and fees of SEK 525,000 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 2009 appointed a Remuneration Committee comprising Bengt Kjell, Jan Nygren and Charlotta Wikström. On 26 May 2009, Bengt Kjell was replaced by Per-Anders Ovin. 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 2009 appointed an Audit Committee comprising Jonas Nyrén, Per-Anders Ovin and Leif Garph. 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 four meetings in 2009. Kungsleden's Auditors and representatives of management 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 previous formulation of the code, with transition rules for adopting the revised Code as of 1 February 2010, 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, authorization 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 and include business controls and business planning processes and 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 and more routine and system-oriented controls. Examples of overall controls to ensure that profits can be explained on the basis of events and the progress of operations include ongoing profit analysis based on operational and legal structures, and analysis of key figures. Process and systems-oriented controls consist of reconciliations, certifications 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 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 AB, has been elected as the Auditor of the parent company for the period until the AGM 2011 inclusive. Authorised Public Accountant George Pettersson,

## Management

**Thomas Erséus.** Chief Executive. Born in 1963, B.Sc. (Eng.) in Civil Engineering from Chalmers University of Technology, Göteborg. Kungsleden employee since 2006. Other assignments: Board member of Hemsö Fastighets AB, 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.

**Eskil Lindnér.** Divisional Manager, Commercial Properties. Born in 1959, B.Sc. (Eng.) in Civil Engineering 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.

**Åke Theblin.** General Counsel and Board Secretary. 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.

**Johan Risberg.** Deputy Chief Executive/ Chief Financial Officer. Born in 1961, 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.

**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.

**Per Johansson.** Divisional Manager, Nordic Modular. Born in 1959, B.Sc. (Eng.) Civil Engineering, 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.

**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.

*The above information is for shareholdings as of 31 December 2009, and includes holdings through companies and related parties.*

practising at KPMG 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 2009, audit fees were SEK 9 (12) m for the group.

#### **GROUP MANAGEMENT**

The group management consists of Kungsliden's Chief Executive, the Deputy Chief Executive/Chief Financial Officer, Divisional Managers, the HR & Corporate Communications Manager and General Counsel.

#### **REMUNERATION TO GROUP MANAGEMENT, ETC.**

Pursuant to the principles for remuneration and other employment terms of senior executives adopted by the AGM 2009, remuneration to group management consists of basic salary, performance-related pay, other benefits and pension. A review of the remuneration principles for the Board of Directors and group management and the amount of remuneration paid in 2009 is stated in Notes 7 and 8 of the Annual Report.

Note 8 also states information and the terms of performance-related pay. Similar guidelines as resolved in 2009 will be proposed to the AGM 2010. The group management is eligible for the

performance-related staff stock option plan resolved by the AGMs of 2007 and 2008.

25,000 staff stock options each were granted to the Chief Executive and Deputy Chief Executive, and 12,000 staff stock options each to other senior executives on the group management from the staff stock option plan resolved by the AGM 2007 were granted in 2008. The exercise price was determined at SEK 113.34.

There has been no granting of staff stock options pursuant to the staff stock option plan resolved by the AGM 2008. More detailed information on the incentive scheme is available on Kungsliden's website.



# 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 2009. The annual accounts and consolidated accounts are included in the printed version of this document on pages 56–84. 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 supporting 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 the Income Statement and Statement of Financial Position 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, 19 March 2010



Björn Flink  
Authorised Public Accountant