

## **Corporate governance report 2007**

The shareholders influence the company's governance by participating in and exercising their voting rights at the Annual General Meeting, which is Wihlborgs' highest decision-making body. All shares carry the same voting rights, i.e. a shareholder's voting rights are proportionate to his share of the company's share capital. The management of and responsibility for the Wihlborgs Group is divided between the Board of Directors and Chief Executive Officer, in accordance with the Swedish Companies Act, other laws and regulations, the listing agreement with the Stockholm Stock Exchange, the Swedish Corporate Governance Code, and the company's Articles of Association and internal control instruments, such as the rules of procedure for the Board of Directors and the instructions to the Chief Executive Officer.

### **The Swedish Corporate Governance Code**

The chief purpose of the Code is to contribute to improving standards of corporate governance in Swedish companies in order to ensure that they meet the owners' return requirements for their invested capital. Any departures from the rules contained in the Code must be reported and justified according to the principle "comply or explain". The reasons for each departure must be clearly explained.

Wihlborgs has departed from the rules in the following respects:

- No separate audit committee has been appointed. Instead, all members of the Board except the CEO have performed the tasks of the audit committee.
- No separate remuneration committee has been appointed. Instead, all members of the Board except the CEO have performed the tasks of the remuneration committee. No member of the company's management has been present when these issues have been discussed.

The board's justification for not constituting any auditing or compensation committee is that the company's size does not warrant this. The issues can be addressed in connection with a normal meeting. Wihlborgs have an interest adviser whose task it is to monitor interest development and suggest measures to the board. The interest adviser's responsibilities and duties are not regulated by the board's rules of procedure but the duties are regulated by the company's finance policy.

### **Articles of Association**

Wihlborgs' current Articles of Association were adopted at the Annual General Meeting held on 26 April 2006. The company's business is to acquire, manage, improve and sell properties primarily in the Öresund region and to conduct such other activities as are compatible therewith. The Board of Directors shall be based in Malmö.

### **2007 Annual General Meeting**

Wihlborgs' Annual General Meeting took place on 26 April 2007. 38.5 per cent of the number of votes (300 shareholders) was represented at the meeting. The minutes of the Annual General Meeting are available on the Wihlborgs website, [www.wihlborgs.se](http://www.wihlborgs.se).

Decisions taken by the meeting included the following:

***Election of Directors and auditors*** – The AGM decided that the Board should consist of eight Directors. Kerstin Fredriksson, Anders Jarl, Sten K Johnson, Erik Paulsson, Tommy Qvarfort and Johan Qviberg were re-elected to the Board and Sara Karlsson and Helen Olausson were elected as new Directors.

It was noted that the registered auditing firm Deloitte AB had been appointed as the company's auditors at an extraordinary general meeting in 2004 with the Authorised Public Account Torbjörn Svensson as chief auditor until AGM 2008.

***Nomination Committee*** – It was resolved that the Nomination Committee should consist of representatives of the three largest shareholders of the company at the end of the third quarter of 2007, plus one representative of the smaller shareholders, as represented by the Swedish Shareholders' Association (Aktiespararna). The Nomination Committee also decides if the Chairman of the Board shall be included in the Committee. The representative of the largest shareholder shall be made chairman of the Nomination Committee unless otherwise stated. No fees are paid to the members of the committee, but the company is responsible for adequate costs which arise as a result of the committees' assignment.

***Acquisition and transfer of shares owned by the company*** – The AGM resolved to authorize the Board, during the period up to the next AGM, to buy back and transfer Wihlborgs shares up to a maximum of ten per cent of all outstanding shares.

***New issue*** – The AGM resolved to authorise the Board, during the period up to the next AGM, to decide on the issue of new shares up to a maximum of ten per cent of all outstanding shares.

### **The Nomination Committee**

The Swedish Corporate Governance Code states that the appointment of the Board of Directors and auditors should be prepared through a structured and transparent process controlled by the owners which provides opportunities for all shareholders to express their views on and make proposals on these issues and which establishes a good foundation for well considered decisions. The nomination committee is the AGM's body for preparing decisions relating to appointments.

Wihlborgs' Nomination Committee has therefore been drawing up proposals for chairman of the AGM, Chairman of the Board, Directors and Directors' fees, and auditors and auditors' fees.

In accordance with the AGM's decision, the names of the candidates proposed by the Nomination Committee were announced on 18 October 2007. The Nomination Committee consists of Anders Silverbåge from Brinova Fastigheter AB, Peter Lindh from Maths O Sundqvist, Peter Lavesson from Investment AB Öresund and Leif Franzon from the Swedish Shareholders' Association (Aktiespararna). The members representing the three largest owners in the Nomination Committee together represented 27.0 per cent of the votes of Wihlborgs. Anders Silverbåge was appointed as chairman of the Nomination Committee.

The Nomination Committee has held three minutes meetings and has remained in contact during the periods in between.

The Nomination Committee has discussed the size and composition of the Board of Directors in respect of industry experience, expertise and other criteria. Nomination Committee has also discussed the issue of the Directors' independence. The election committee proposes a re-election of Erik Paulsson, Kerstin Fredriksson, Anders Jarl, Sara Karlsson, Helen Olausson, Tommy Qvarfort and Johan Qviberg. Sten K Johnson has declined re-election. The election committee also proposes re-election of Erik Paulsson as Chairman of the Board of Directors. As regards fees for the Board of Directors, the Election Committee proposes SEK 820,000 to be paid to the Board as the total amount of fees distributed as follows: SEK 220,000 to the Chairman of the Board and SEK 120,000 to other Directors not employed in the company. The increase of the fees per member of the Board corresponds to 4 per cent.

Deloitte AB, with Torbjörn Svensson as auditor in charge, was elected at the 2004 AGM, to serve until the 2008 AGM. The Election Committee proposes that Deloitte AB, with Torbjörn Svensson as auditor in charge, be re-elected to serve until the 2011 AGM.

### **The Board of Directors**

The task of the Board of Directors is to manage the company's business on behalf of the owners in a way that assures the owners' interest in strong long-term return on capital in the best possible way. Under Wihlborgs' Articles of Association, the Board of Directors must consist of at least four and no more than eight Directors. Following the AGM in April 2007, Erik Paulsson was appointed as Chairman of the Board and Kerstin Fredriksson as Deputy Chairman. The company's Finance Director, Christer Johansson, has served as the Board's secretary.

Wihlborgs' Board of Directors includes members that have skills and experience in fields that enable them to support, monitor and control the business of a leading property company in Sweden. The Directors have in-depth knowledge of property, the property market, finance and business development.

The Board of directors comply with the code and the Stockholm Stock Exchange's listing requirement that a maximum of one Board member may work operatively in current activities. The Chief Executive Office Anders Jarl is a member of the Board. The majority of the Board members are independent of relations with the company and corporate management.

In 2007, the Board held 10 meetings, including constituent and per capsulam meetings. Out of the 10 meetings, seven have been ordinary Board meetings. The Board's work began with issues concerning the annual accounts and dividend as well as an assessment of the Board's work and procedures. During the spring of 2007 the work concentrated on property purchases and projects. Preparations associated with the board's tasks prior to the Annual General Meeting concerned the proposals for the re-purchase of own shares and authorization of new share issue. The process of costing finished projects for 2006 has been reviewed. During the autumn, the company's financial policy and interest review combined with different derivative products were commented on. The company's future strategies prior to 2008 and 2009, budget and property acquisitions also dominated the Board's work. During the autumn the Board also discussed the criteria concerning the repurchase of own shares.

According to the Annual General Meeting's decision, the Board's fees amounted to SEK 900,000 of which the Chairman received SEK 210,000 and other Board members, with the exception of the CEO, received SEK 115,000.

#### **Directors, independent, number of Board meetings and attendance**

	<b>Independent</b>	<b>Board meetings/Attendance</b>
Erik Paulsson	no	10 of 10
Kerstin Fredriksson	yes	10 of 10
Anders Jarl	no	10 of 10
Sten K Johnson	yes	10 of 10
Sara Karlsson	yes	6 of 6 (elected at the AGM)
Helen Olausson	yes	6 of 6 (elected at the AGM)
Tommy Qvarfort	yes	10 of 10
Johan Qviberg	yes	10 of 10
Lars Sköld	yes	4 of 4 (resigned at the AGM)

#### **Rules of procedure and instructions**

The Board of Wihlborgs operates on the basis of a set of procedural rules, which include instructions relating to the division of labour and financial reports. The rules of procedure, which constitute a supplement to the regulations contained in the Swedish Companies Act and Wihlborgs' Articles of Association, are reviewed annually. Under the rules, the Board is responsible for ensuring that the CEO meets his obligations. The CEO's performance is assessed annually in relation to the defined long-term and short-term objectives. Another responsibility is to continuously assess Wihlborgs' handling procedures and administrative guidelines and investments of the company's assets. The Board is responsible for setting and monitoring compliance with targets, key policies and strategic plans for the company and for ensuring that these are revised and updated subsequent to receiving a report from the CEO.

Six ordinary Board meetings should be held each calendar year, in addition to the constituent meeting. At the meetings the Directors transact business relating to financial and economic reports, sales and investments, current market issues and staff issues. Extraordinary meetings may be convened for the purpose of discussing and deciding on issues that cannot be postponed until the next ordinary Board meeting. Under the procedural rules, it is the duty of the Chairman to monitor Wihlborgs' performance through contacts with the CEO and to ensure that the Directors receive the information they require via the CEO.

The Chairman is also required to consult with the CEO on strategic issues and ensure that the matters under consideration are not handled in a way that violates the provisions of the Swedish Companies Act, the company's Articles of Association or the Swedish Corporate Governance Code.

### **Group management**

**The Chief Executive Officer** – is responsible for the day-to-day management of the company and for managing the company's activities in accordance with the guidelines and instructions laid down by the Board. The rules of procedure for Wihlborgs' Board of Directors includes a set of instructions for the CEO, who is responsible for ensuring that the Board receives the information it requires for its decisions before each Board meeting and is kept up to date in between meetings, and that the financial statements are presented in a way that allows the Board to make a well-informed assessment of the information contained therein. There is also a separate reporting instruction specifying the timetables.

#### **Group management consists of:**

Anders Jarl, CEO

Christer Johansson, Finance Director

Thomas Bråhagen, Property Director

Irène Johansson, Public Relations Director

Catharina Lachmann, Executive Assistant to the CEO

### **Principles for terms of employment of the CEO and Group management**

Under the Corporate Governance Code, the Board is required to propose principles for the compensation and other employment terms of Group management. The Board of Wihlborgs proposes that the compensation and other terms of employment should be competitive and based on market terms. All members of Group management receive a fixed compensation. The criteria for other benefits where they arise shall comprise a limited proportion of the payments and are primarily the use of company cars. Wihlborgs has a profit-sharing foundation that covers all employees of the company except the CEO. Allocations to the foundation are based on return on equity and are subject to a ceiling of one base amount per year and employee. The retirement age is 65 years for all employees of Group management. Expenses relating to the Chief Executive Officer's pension comprise a premium of 35 per cent of the CEO's pensionable annual salary during his period of employment. For other members of Group management the ITP occupational pension plan or an equivalent plan applies. Termination salary and severance pay combined must not exceed 24 months. Severance pay should be offset by other income.

All Board Directors except the CEO decide on the principles for compensation and terms of employment of Group management and on the CEO's compensation and terms of employment. The principles for the terms of employment remain unchanged from 2006 with the exception that any compensation in addition to a fixed salary shall be maximised and related to the fixed salary.

## **Auditing**

Wihlborgs' auditors are appointed by the AGM for a period of four years. The current auditors were appointed at an extraordinary general meeting in 2004, and the next appointment will therefore take place at the 2008 AGM. The AGM appointed the auditing firm Deloitte AB as the company's auditors with Torbjörn Svensson as chief auditor.

Torbjörn Svensson has chief responsibility for the audit assignment in Wihlborgs. He has no other assignments for companies that are closely related to Wihlborgs' major owners or the CEO. In addition to his audit assignment for Wihlborgs, Torbjörn Svensson's other major audit assignments are: Malmö Aviation AB, Flextronics, Thule AB, Mellby Gård and Skånemejerier.

Torbjörn Svensson personally attends the Board meeting convened for the purpose of the discussing the company's year-end financial statements and submits a report on his final examination of the company's accounts. He also submits information on ongoing auditing work to the Board in its capacity as audit committee.

## **Internal control**

According to the Companies Act and the Swedish code for company control, the board is responsible for internal control. The board shall issue a report annually of how the internal control of financial reporting is organised to the extent it concerns the financial reporting. The report is drawn up on the basis of the guidance produced by the Confederation of Swedish Enterprise and FAR SRS. This report does not form part of the formal annual accounts documentation and has not been the subject of checking by the company's auditors.

Wihlborgs applies COSO, Internal Control – Integrated Framework. This is an internationally recognised and widely-accepted framework for internal control used to describe the company's control structure.

COSO describes the control that is divided into five components – control environment, risk assessment, control activities, information and communication, and monitoring.

***The control environment*** – is of great significance to the organisation and forms the basis for good internal control. In its rules of procedure the board has clarified decision delegation to the management for financial reporting. The organisational structure at Wihlborgs facilitates effective internal control. The company's organisation in its administrative areas with an administrative manager as its head has a defined responsibility with authorities. This is described in an instruction for signing lease agreements, authorisations and projects, and a number of policies. Group reporting for Wihlborgs' approximately 120 subsidiaries is standardised. Internal auditing is reconciled with external auditing on each reporting occasion. According to Wihlborgs staff policy, employees who work on economic issues undergo individual training programmes to ensure competence within the area.

**Risk assessment** – Wihlborgs undertakes continuous risk assessment associated with financial reporting. A risk analysis shows that the internal control is particularly significant with regard to procedures for lease debiting including supplementary debiting the purchase and sale of properties, both private and in companies, the IT function, property valuation, project activities and risks of impropriety.

**Control activities** – are designed to create methods for the company when dealing with risks. The intention is that the activities shall prevent, identify and correct the errors that can arise. The activities shall secure income and assets, check the correctness and reliability of the financial reports but also ensure that stipulated regulatory systems are complied with.

**Information and communication** – The way in which financial reporting is communicated is shown in the company's instructions for reporting. Information to lenders, investors and suppliers is based on the respective interested party's particular requirements. The stock exchange's regulations for disseminating information and reporting are particularly important. The information department is responsible for external information. The company's information policy includes describing how financial reporting shall be done. The board receives information on risks of errors in the financial reporting and the internal control from auditors in connection with the full-year accounts and interim audit.

**Monitoring** – Continuous monitoring and evaluation are performed to guarantee the quality of the control system. Continuous monitoring is done on an area basis and any shortcomings that have arisen in the internal control are rectified. The audit submits its findings regarding the company's internal control to the board at least twice a year.

Malmö, 14 March 2008

The Board of Directors