

# Administration Report – corporate governance

Catena AB is a Swedish public limited liability company listed on the Nasdaq OMX Stockholm exchange. The applicable regulations for governance and control of the Group are primarily the Articles of Association, the Swedish Companies Act, OMX Nordic Exchange Regulations, the Swedish Corporate Governance Code, internal guidelines and policies, as well as other applicable laws and regulations.

Catena's Board and executive management endeavour to ensure that Catena complies with the requirements imposed by the stock exchange, shareholders and other stakeholders. The Swedish Corporate Governance Code is aimed at ensuring favourable conditions for active and responsible ownership. It is based on the principle of comply or explain. Deviations from the Code must be justified and explained.

The Corporate Governance Report describes how Catena applied the Code during 2011.

## Annual General Meeting of Shareholders

The Annual General Meeting of Shareholders (AGM) is the company's supreme decision-making body. The AGM appoints the Board and auditors and adopts principles for the remuneration of the Board, auditors and Group management. The AGM also makes decisions regarding the Articles of Association, dividends, and share capital. At the AGM, which must be held within six months of the close of the financial year, the balance sheets and income statements are to be approved and a decision made regarding the discharge of responsibility of the Board and the CEO.

The Annual General meeting was held on April 14, 2011. A total of 61 shareholders, representing 8,407,393 shares, attended, representing 72.7 per cent of the total number of votes outstanding.

The Board, CEO and executive management accountant attended the meeting.

The AGM approved the following:

- Approval of the income statements and balance sheets for the Parent Company and Group
- Approval of the appropriation of profit, entailing a dividend of SEK 59 per share (of which SEK 6 was a regular dividend, plus an extraordinary dividend of SEK 53/ share)
- Approval of the discharge from liability of the Board and CEO
- Approval of a decision to amend the Articles of Association
- Approval of the number of Board members elected at the AGM
- Re-election of five sitting members of the Board, as well as their remuneration
- Guidelines regarding the remuneration of the CEO and senior executives

- Authorization of the Board to acquire the Company's own shares up to a maximum holding of 10 per cent
- Authorization of the Board regarding the transfer of the company's treasury shares.

The AGM for the 2012 financial year will be held on April 26, 2012 at the 7A Odenplan Conference Center, Norrtullsgatan 6, fifth floor, in Stockholm.

## Remuneration of the Board and senior executives

In line with the decision of the 2011 AGM, the Chairman of the Board receives SEK 210,000 and other members SEK 105,000 each. Salary, other remuneration and pension premiums for the CEO and other senior executives in 2011 are presented in Note 7 of the annual report. No variable pay has been paid to the CEO or other senior executives.

## Nomination Committee

The tasks of the Nomination Committee include preparing proposals for the Chairman of the AGM, the Chairman of the Board, Board fees and principles underlying the selection of the Nomination Committee, the Chairman at the AGM and, when applicable, auditors and auditors' fees.

The Nomination Committee, which consists of representatives of the company's four largest shareholders, has the following composition Henry Klotz for CLS Holdings plc., Christian Hahne for Erik Selin Fastigheter AB, Bo Jansson for Skandia Liv, and Tomas Andersson for Peab AB. Bo Jansson was appointed Chairman of the Nomination Committee. The Chairman of the Board, Henry Klotz, convenes the Nomination Committee.

## THE BOARD OF DIRECTORS AND ITS WORK

### The Board of Directors

The overall task of the Board is manage the affairs of the Company and the Group on behalf of the shareholders in a manner that ensures optimization of the shareholders interests in favourable long-term return on capital. The members of the Board are elected at the AGM for the period until the end of the next AGM. The work of the Board shall comply with legislation, the Articles of Association and the formal work plan. The formal work plan is discussed at the constituent Board meeting and is set annually.

The composition of the Board shall include competence and experience from the areas that are of major importance as part of efforts to support, monitor and control operations in a real estate company. Board members have expertise in properties, the real market, and financing and business development, for example.

Since the 2011 AGM, Catena's Board has consisted of five elected members, without deputies. The composition of the Board entails a deviation from the Swedish Corporate Governance Code's requirements regarding in-

dependence, since only one member is independent. The deviation is attributable to the fact that, following the sale of most of the real estate portfolio in January 2011, the company's operations are limited to a real estate development project in Solna, and thus the independence requirement in continuing Board work is not as urgent.

#### Formal work plan

The Board of Catena works in accordance with a formal work plan consisting of instructions in respect of the division of duties and financial reporting. The formal plan represents a complement to the provisions of the Swedish Companies Act and Catena's Articles of Association and is reviewed annually. The Board also assesses the CEO's work performance. The CEO does not attend this assessment.

The Board is responsible for continually monitoring and controlling the Company's operations. Consequently, it is the duty of the Board to ensure there is a functioning reporting system. Regular reports concerning the Company's and Group's economic and financial position, current issues, project reporting, and in certain cases information underlying information for investment decisions and property sales, are presented at Board meetings.

In addition to being responsible for the company's organization and administration, the Board's key task is to make decisions in strategic questions. Each year, the Board sets the overall goals for the Group's operations and decides on strategies to attain these goals. Also, the CEO's instructions and internal policy documents are reviewed annually.

#### The work of the Board of Directors

The Chairman of the Board is responsible for leading the work of the Board in an efficient and appropriate manner. In addition to leading the work, the Chairman of the Board monitors ongoing developments through contacts with the CEO in strategic issues.

During 2011, four minuted Board meetings were held, one of which was the constituent meeting. The Group CFO served as the Board secretary.

#### Composition of the Board of Directors

Namne	Elected	Independent	Attendance
Henry Klotz, ordförande	2007	No	4/4
Jan Johansson	2010	No	4/4
Christer Sandberg	2007	No	3/4
Lennart Schönning	2007	Yes	4/4
Erik Selin	2007	No	4/4

The issues in focus at Board meetings included:

February	The year-end report, annual financial statements, auditors' report and preparation for the AGM
April	Interim report
August	Interim report
October	Strategic discussions

In addition to the above issues, Board meetings dealt with plans and strategies for the Group's development and the regular monitoring of earnings and the financial position, valuations of the Group's properties, liquidity, as well as financing and investment decisions.

The company's auditor, Jan Malm, also attended the Board meeting in February.

#### Auditors

Catena's auditors are appointed at the AGM for a period of four years. The current period commenced in 2008 and, thus, the next appointment of auditors will take place in conjunction with the 2012 AGM. The auditor in charge was Jan Malm.

The auditor examines the Board's and CEO's administration of the Group. The auditor reports the results of his examination to the shareholders. This is presented at the AGM. In addition, the auditor presents a detailed report to the Board once annually. In conjunction with this report, a discussion is also held concerning the observations of the audit. In addition to auditing, KPMG has also provided services in the areas of taxes and accounting. Fees are paid as invoiced.

#### CEO and group management

The CEO leads operations on the basis of the set instructions drawn up by the Board. According to the instructions, the CEO shall ensure that the Board members receive regular information and reports on Catena's progress to enable them to make favourable assessments and sound decisions. The CEO must also ensure that Catena observes the obligations regarding information and so forth that arise from the listing agreement with the OMX Nordic Exchange. The CEO shall also supervise the observance of the goals, policy and strategic plans established by the Board and ensure that they are submitted to the Board for updating or review whenever necessary.

The focus of operations changed following the sale

of the real estate portfolio to Balder. Thus, the need for management functions has decreased, at least temporarily. Consequently, group management consisted only of the CEO and the CFO during the financial year. Both of these have been registered with the Financial Supervisory Authority's insider trading register.

#### **Board Committees**

The Board has established two committees - the Remuneration Committee and the Audit Committee - from among its members. These are responsible for preparing questions in their respective areas of responsibility.

#### **Remuneration Committee**

The task of the Remuneration Committee is to prepare matters concerning remuneration and other conditions of employment for the CEO. The CEO, on the basis of principles established by the Board, determines remuneration of senior executives. The Remuneration Committee consists of all Board members, except the CEO. The committee had one meeting during 2011.

#### **Audit Committee**

The task of the Audit Committee is to maintain and add to the efficiency in contacts with the Group's auditor and to supervise the procedures for auditing and financial reporting. The Committee shall also evaluate the work of the auditor and monitor how accounting principles and requirements are progressing. The Board has decided that all its members, with the exception of the CEO, shall be part of this committee. The Audit Committee held one meeting in 2011.

#### **Stock market information**

Catena shall submit prompt, simultaneous, correct and reliable information to existing and potential shareholders and other stakeholders. The company submits an interim report on its activities each quarter, as well as a year-end report and annual report for the entire financial year.

Catena's website ([www.catenafastigheter.se](http://www.catenafastigheter.se)) presents current information on the company, such as press releases and financial statements. Shareholders can order printed financial information from the company via the website. This information can also be ordered directly from the company by telephone.

#### **Internal control**

The Board is responsible for internal control pursuant to the Swedish Companies Act and the Swedish Code of Corporate Governance. This report has been prepared in accordance with Chapter 6, Section 6 of the Annual Accounts Act and is thus limited to internal control and risk management related to financial reporting.

The basis of internal control is the control environment in which the work of the Board and executive management is set. The Board has adopted a number of important policies and basic guidelines for internal control programmes, such as financial, environmental and information policies. The CEO presents regular reports to the Board on the basis of established routines and documents.

Catena's internal control structure is based on a clear division of responsibility and work between the Board and CEO, as well as within operational activities. Operational activities include business control and business planning processes. Examples of these include tools for monitoring operations, preparations ahead of the purchase and sale of properties/companies, and underlying data for property valuations. Control activities at the individual property level (in the form of current results and investment monitoring), at the overall level in the form of results analysis at the area level, analysis of key data, and reviews of the Group's legal structure. In order to prevent and detect errors and deviations, there are, for example, systems for attestation rights, reconciliations, approval and reporting of business transactions, reporting templates, accounting and valuation policies. The systems are continuously updated.

Internal information and external communications are regulated at the overall level by means of the information policy, for example. Internal information is undertaken through regular information meetings.

Catena has a small organization, with all operations taking place in the Parent Company. The finance function in the Parent Company controls all units. As a result, Catena has no special function for internal auditing. The Board and executive management believe that internal control is effective and suitable for a group of Catena's size, and, thus, there is no need for an internal auditing function. This decision will be reviewed annually.