

## CORPORATE GOVERNANCE REPORT

Fabege is a Swedish public limited-liability company with registered office in Stockholm. The company's corporate governance is based on the Articles of Association, the Swedish Companies Act and other applicable laws and regulations. Fabege applies the Swedish Corporate Governance Code (the Code), whose main purpose is to contribute to improved governance of Swedish businesses. The Code is based on the principle of 'comply or explain'. The reasons for Fabege's departures from the Code are explained in greater detail below. This Corporate Governance Report does not form part of the formal annual report documents, but constitutes a separate report. It has not been examined by the company's auditors.

Responsibility for the governance, management and control of Fabege's business is divided among the shareholders at the Annual General Meeting, the Board of Directors and the Chief Executive Officer. Fabege works continuously to achieve a more efficient and appropriate governance of the company.



### SHAREHOLDERS

The Annual General Meeting is the company's highest decision-making body. In Fabege all shares carry the same voting rights at the AGM, which means that opportunities to exercise influence as an owner are consistent with each shareholder's capital share in the company. Fabege's ownership structure is described on page 31.

### ARTICLES OF ASSOCIATION

Fabege's Articles of Association state that the company shall acquire, manage, add value to and divest properties. The Board of Directors has its registered office in Stockholm. In other respects, the Articles of Association contain provisions on the number of shares, on the number of Directors and auditors and on the Annual General Meeting. The full text of the Articles of Association is found on page 71.

### THE 2008 ANNUAL GENERAL MEETING

The Annual General Meeting was held in Stockholm on 3 April 2008. Erik Paulsson was elected to chair the meeting. The AGM was attended by shareholders holding a total of 72.9m shares, corresponding to 43 per cent of the number of votes represented. A full set of minutes from the AGM is available on Fabege's website, [www.fabege.se](http://www.fabege.se). The following are some of the main resolutions adopted at the AGM:

#### ELECTION OF DIRECTORS AND RESOLUTION ON DIRECTORS' FEES (PROPOSAL OF THE NOMINATION COMMITTEE)

The AGM resolved that the Board should consist of eight Directors and approved the re-election of Göte Dahlin, Christian Hermelin, Sven-Åke Johansson, Märtha Josefsson, Helen Olausson, Mats Qviberg, Erik Paulsson and Svante Paulsson. Erik Paulsson was elected Chairman of the Board.

#### DIVIDEND, CASH (PROPOSAL OF THE BOARD)

The dividend was fixed at SEK 4.00 and the record date was set at 8 April 2008.

#### REDUCTION OF SHARE CAPITAL AND BONUS ISSUE (PROPOSAL OF THE BOARD)

The AGM voted to approve the withdrawal of 9,150,673 treasury shares and a subsequent bonus issue aimed at restoring the share capital.

#### AUTHORISATION ON SHARE BUYBACKS (PROPOSAL OF THE BOARD)

The AGM decided to authorise the Board, for a period ending no later than the next AGM, to acquire and assign shares to other parties. Share buybacks are subject to a limit of 10 per cent of the total number of outstanding shares at any time.

**THE BOARD OF DIRECTORS OF FABEGE**



**ERIK PAULSSON**

*Born:* 1942.  
 Chairman of the Board since 2007 and Director since 1998.  
*Other assignments:* Chairman of Backahill AB, Diös Fastigheter AB, SkiStar AB and Wihlborgs Fastigheter AB. Director of Brinova Fastigheter AB, Investment AB Öresund and Nolato AB.  
*Education:* Secondary school.  
 Company executive since 1959.  
*Shareholding:* 60,100 and via Brinova.  
 Dependent in relation to the company and major shareholders under the Swedish Corporate Governance Code and the Listing Agreement with the Stockholm Stock Exchange.



**SVEN-ÅKE JOHANSSON**

*Born:* 1939.  
 Chairman 2000 and Deputy Chairman since 2001.  
*Other assignments:* Chairman of Industrifonden and Nordisk Renting AB.  
*Education:* Doctor of Engineering and M.Sc. in Economics and Business and reserve officer in the Swedish Air Force.  
*Shareholding:* 19,500.  
 Independent under the Swedish Corporate Governance Code and the Listing Agreement of the Stockholm Stock Exchange in relation to both the company and major shareholders.



**GÖTE DAHLIN**

*Born:* 1941.  
 Director since 2000.  
*Other assignments:* Chairman of Veidekke ASA and Deputy Chairman of Nordisk Renting AB. Director of Rezidor Group AB and Svensk Inredning Viking AB.  
*Education:* B.Sc. in Natural Sciences.  
*Shareholding:* 15,000.  
 Independent under the Swedish Corporate Governance Code and the Listing Agreement of the Stockholm Stock Exchange in relation to both the company and major shareholders.



**MÄRTHA JOSEFSSON**

*Born:* 1947.  
 Director since 2005.  
*Other assignments:* Chairman of Lärarfonder AB, Director of Second AP Fund, Anoto Group AB, Luxonen S.A., Skandia Fonder AB, AB Upsala Nya Tidning and Opus Prodox AB.  
*Education:* B.Sc. in Economics.  
*Shareholding:* 60,000.  
 Independent under the Swedish Corporate Governance Code and the Listing Agreement of the Stockholm Stock Exchange in relation to both the company and major shareholders.



**HELEN OLAUSSON**

*Born:* 1968.  
 Director since 2007.  
 Chief Executive Officer of Biessie Baenie AB.  
*Other assignments:* Chairman of Fabös and Norrvidden Fastigheter AB. Director of the National Land Survey of Sweden, Wihlborgs Fastigheter AB and Klöver AB.  
*Education:* M.Sc. in Engineering, MBA Stockholm School of Economics.  
*Shareholding:* 0.  
 Dependent in relation to major shareholders under the Swedish Corporate Governance Code and the Listing Agreement with the Stockholm Stock Exchange. Independent in relation to the company.



**SVANTE PAULSSON**

*Born:* 1972.  
 Director since 2007.  
 Chief Executive Officer of Backahill AB. *Other assignments:* Director of Brinova Fastigheter AB, PEAB AB, Platzer Fastigheter and ÄNAB Ängelholms Näringsliv AB.  
*Education:* High school in USA.  
*Shareholding:* 144,438  
 Dependent in relation to major shareholders under the Swedish Corporate Governance Code and the Listing Agreement with the Stockholm Stock Exchange.  
 Independent in relation to the company.



**MATS QVIBERG**

*Born:* 1953.  
 Director since 2001.  
*Other assignments:* Chairman of HQ AB and Bilia AB, Deputy Chairman of Investment AB Öresund and Director of SkiStar AB.  
*Education:* M.Sc. in Economics and Business.  
*Shareholding:* 2,703,636.  
 Independent under the Swedish Corporate Governance Code and the Listing Agreement of the Stockholm Stock Exchange in relation to both the company and major shareholders.



**CHRISTIAN HERMELIN**

*Born:* 1964.  
 Director since 2007.  
 Chief Executive Officer of Fabege AB. Employed since: 1998, in current position since 2007.  
*Education:* B.Sc. in Business Administration  
*Shareholding:* 69,400.  
 Dependent in relation to the company under the Swedish Corporate Governance Code and the Listing Agreement with the Stockholm Stock Exchange. Independent in relation to major shareholders.

#### PRINCIPLES FOR THE APPOINTMENT OF THE NOMINATION COMMITTEE (PROPOSAL OF THE NOMINATION COMMITTEE)

The AGM adopted a set of principles for the appointment of the Nomination Committee and passed a resolution on the proposals that the Nomination Committee is required to prepare. The Nomination Committee will consist of representatives for the four largest owners.

#### THE NOMINATION COMMITTEE

The Nomination Committee is the AGM body responsible for preparing resolutions on appointments. The Committee's task is to draw up proposals for the appointment of the AGM chairman, Chairman of the Board and Director, Directors' fees, the appointment of auditors, auditors' fees and any changes to the principles governing the election of the Nomination Committee. The proposal for Directors' fees must specify a breakdown between the Chairman, Directors and committee work.

On 30 September 2008 a Nomination Committee was announced consisting of representatives of the four largest owners, in accordance with the resolution adopted at the 2008 AGM. The Nomination Committee consists of the following members: Peter Lindh (representing Maths O Sundqvist), Anders Silverbåge (Brinova Fastigheter AB), Per Ovrén (Investment AB Öresund) and Mikael Nordberg (Danske Capital). Anders Silverbåge is chairman of the Nomination Committee. The four owner representatives represent about 33 per cent of the votes in Fabege.

The Nomination Committee has held two minuted meetings and has remained in contact during the intervening periods. As a basis for its work, the Committee has met the Board Chairman and listened to the CEO's views on the work of the Board. The Committee has also contacted the other Directors as well as the company's auditors to obtain a clear idea of the work of the Board. It has also studied the company's strategy, risk management and control functions. In addition, the chairman of the Nomination Committee has obtained information about the work of the Audit Committee through interviews with its chairman.

The Nomination Committee has discussed the size and composition of the Board of Directors in respect of industry experience, expertise, and the need for continuity and renewal of the work of the Board. The Committee has also discussed and taken into account the issue of the independence of Directors (see below for a description of the Board).

The Nomination Committee's report on how it has conducted its work and its proposals for the 2009 AGM are available on the company's website. The proposals of the Nomination Committee are also described in the notice of the 2009 AGM.

#### THE BOARD OF DIRECTORS

Under the Companies Act, the Board of Directors is responsible for the company's organisation and the administration of the company's affairs. The Board is required to continuously assess the financial situation of the company and Group. Its main task is to manage the company's business on behalf of the owners in a way that secures the owners' interest in a strong long-term return on capital.

In 2008 the Board consisted of eight Directors elected at the 2008 AGM. The AGM also elected Erik Paulsson as Chairman of the Board. Sven-Åke Johansson was appointed Deputy Chairman at the constituent Board meeting. Fabege's Chief Financial Officer, Åsa Bergström, is the Board's secretary.

Fabege's Board of Directors includes members that have skills and experience that are of great significance for the support, monitoring and control of the operations of a leading property company in Sweden. There are members with knowledge of property, the property market, financing and business development. At the end of the year an assessment was made of the Board, which showed that the Board was operating in a highly satisfactory manner. Together, the members of the Board have, directly or indirectly, significant investments in Fabege shares.

Fabege's Board meets the requirements on independent Directors contained in the Code and in the Listing Agreement of the Stockholm Stock Exchange. The Nomination Committee proposes that all Directors be re-elected. Out of the proposed Directors, Erik Paulsson is to be regarded as dependent both in relation to the company and in relation to major shareholders, Helen Olausson and Svante Paulsson as dependent in relation to major shareholders and the CEO Christian Hermelin as dependent in relation to the company. The other proposed Directors are, according to the definitions contained in the Code and the Listing Agreement, independent in relation to both the company and major shareholders.

In 2008 the Board held six ordinary meetings and 12 meetings altogether, including one constituent meeting and five conference calls. During the year the Board made decisions on several major transactions and investments in the company's existing property portfolio. In 2008 Fabege acquired two properties for SEK 201m and sold 13 properties for SEK 2,095m. Decisions were made on investments of SEK 462m relating to the development and improvement of properties in the company's existing portfolio. The Board also reviewed the company's business concept, goals, strategies, budget and interim reporting.

Information about the Directors' attendance at the meetings is provided in the table below. The table also shows which Directors are members of the Audit Committee. The Directors are paid Directors' fees in accordance with the resolutions of the Annual General Meeting. For 2008 total fees of SEK 2,420,000 were paid, of which the Chairman received SEK 375,000 plus

**GROUP MANAGEMENT**



**CHRISTIAN HERMELIN**  
 Born: 1964.  
 Chief Executive Officer.  
 Employed since: 1998, in current position since 2007.  
 Previous employment: Project Manager at Fastighets AB Storheden.  
 Education: B.Sc.  
 Shareholding: 69,400.



**ÅSA BERGSTRÖM**  
 Born: 1964.  
 Executive Vice President and Chief Financial Officer.  
 Employed since: 2007.  
 Previous employment: Senior Manager at KPMG, CFO positions in the property companies Granit & Beton Fastighetsrenting AB and Oskarsborg AB.  
 Education: M.Sc. in Economics and Business.  
 Shareholding: 21,800.



**URBAN SJÖLUND**  
 Born: 1962.  
 Director of Properties.  
 Employed since: 1991, in current position since 2007.  
 Previous employment: Construction and Project Manager at JCC AB, Arsenalen AB and MacGruppen AB. Property Manager at BPA Fastigheter AB, and various executive positions in Bergaliden AB, Storheden AB, Wihlborgs Fastigheter AB and Fabège AB.  
 Education: M.Sc. in Engineering.  
 Shareholding: 30,000.



**PER TYRÉN**  
 Born: 1960.  
 Director of Properties.  
 Employed since: 1992, in current position since 2007.  
 Previous employment: Property Analyst at the Stockholm Property Owners Association, Director of Properties at Fastighets AB Stadsgården, Area Manager at Fabège.  
 Education: M.Sc. in Engineering.  
 Shareholding: 20,000.



**JENS LACKMANN**  
 Born: 1960.  
 Director of Projects & Development.  
 Employed since: 2007.  
 Previous employment: Regional Director at Bygganalys AB, Project Manager at Platzer Bygg AB, own business (Byggekonomen AB), Regional Director at Peab AB.  
 Education: Engineer.  
 Shareholding: 21,900.



**JOHAN RUDBERG**  
 Born: 1961.  
 Director of Business Development  
 Employed since: 2004, previously Director of Project Development.  
 Previous employment: Director of Project Development at Drott, Stockholm Director at Centralkonsult, Works Manager at Reinhold Bygg AB.  
 Education: M.Sc. in Engineering.  
 Shareholding: 20,450.



**MATS BERG**  
 Born: 1958.  
 Director of Communications and Investor Relations.  
 Employed since: 2001 in current position.  
 Previous employment: Director of Marketing Communications in AssiDomän AB, Director of Communications in AssiDomän Packaging, Director of Communications in IBM Svenska AB and IBM Healthcare EMEA and various executive communications positions in Ericsson, Telia and Nynäs Petroleum.  
 Education: B.Sc., DIHR and reserve officer in the Swedish Artillery Corps.  
 Shareholding: 20,000.



**KLAUS HANSEN VIKSTRÖM**  
 Born: 1953.  
 Marketing Director.  
 Employed 2006 and in present position since 2008.  
 Previous employments: Director of Stockholms Modecenter, Self employed in clothing industry, CEO and founder of Brubaker AS.  
 Education: Diploma in Specialized Business Studies.  
 Shareholding: 0

extra compensation of SEK 835,000 for project work. Other Directors except the CEO received SEK 185,000 and SEK 100,000 for work in the Board's Audit Committee, of which the chairman received SEK 50,000 and the other members SEK 25,000.

#### ATTENDANCE, NUMBER OF MEETINGS

During the period 12 Board meetings and four Audit Committee meetings were held.

#### ATTENDANCE, NUMBER OF MEETINGS

	Board of Directors	Audit Committee
Erik Paulsson, Chairman	12	<sup>1)</sup>
Sven-Åke Johansson, Deputy Chairman	12	4
Göte Dahlin, Director	12	3
Christian Hermelin, Director	12	<sup>1)</sup>
Märtha Josefsson, Director	12	3
Helen Olausson, Director	11	<sup>1)</sup>
Svante Paulsson, Director	11	<sup>1)</sup>
Mats Qviberg, Director	12	<sup>1)</sup>

<sup>1)</sup> Not a member of the Audit Committee, therefore no attendance is registered.

#### RULES OF PROCEDURE AND INSTRUCTIONS

Each year the Board of Directors of Fabege adopts a set of rules of procedure, including instructions on the division of tasks and reporting, to supplement the provisions of the Companies Act, Fabege's Articles of Association and the Swedish Corporate Governance Code.

In addition to the general provisions of the Companies Act, the Rules of Procedure regulate the following:

- The number of Board meetings (normally five ordinary meetings in addition to the constituent meeting)
- The forms for extra meetings and conference calls
- Items to be included in the agenda at each meeting
- When Board material should be made available
- Minute-keeping
- The tasks of the Board
- The special role played by the Chairman in the Board and the special tasks consequent on that role
- The appointment of an Audit Committee and a specification of the tasks of the Committee
- The forms for preparing compensation issues
- Delegation of decision-making powers by the Board
- The Auditors' reporting, meetings with the auditors

The items that should normally be included in the agenda are financial and operational reporting, decisions on acquisitions, sales and investments in existing properties, current market issues, staff issues and reporting by the Audit Committee. At the November/December meeting the Board reviews goals and strategies and discusses the budget. Other agenda items, such as assessments of the Board and Chief Executive Officer as well as

compensation issues, are included as fixed agenda items in the annual plans.

#### THE AUDIT COMMITTEE

The Board of Directors has appointed an Audit Committee from among its own members. The Audit Committee consists of Sven-Åke Johansson (chairman), Göte Dahlin and Märtha Josefsson and supplements the work of the Board by conducting closer examinations of the company's accounting/reporting, governance and control, risk management and the performance of audits.

The Committee operates according to separate rules of procedure, which are reviewed annually and approved by the Board. Fabege's Audit Committee meets the Code's requirements on composition and its members possess skills and experience on accounting issues and other issues within the Committee's area of responsibility.

In 2008 four meetings were held. Minutes of the meetings were provided to all Directors and the chairman of the Committee submitted a report to the Board of Directors.

During the year a lot of emphasis continued to be placed on the company's internal control system. Issues to be addressed included management of project activities and project follow-up, processes for the closing of the accounts and financial reporting as well as tax procedures. The Committee also discussed the company's handling of funding issues and valuations of properties. Relevant accounting and tax issues and the revised Swedish Corporate Governance Code were also addressed.

At the meetings the company's auditors submit reports on their audits during the year. The Committee's members also discussed risks in the business and accounting practices as well as the focus of audits.

#### ISSUES RELATING TO COMPENSATION FOR COMPANY MANAGEMENT

In accordance with the principles of compensation and other employment terms for company management adopted by the AGM, the Board has adopted a decision on compensation and other terms of employment for the Chief Executive Officer. All members of the Board except the CEO perform the tasks incumbent on a remuneration committee and thus participate in the process of drafting and making decisions on compensation issues. During the year the Board reviewed compliance with the principles of compensation for senior executives.

The compensation and other benefits and terms of employment for the CEO and company management are described in Note 5 on page 52. The principles of compensation and terms of employment will also be presented at the 2009 AGM.

**COMPANY MANAGEMENT****THE CHIEF EXECUTIVE OFFICER**

The Chief Executive Officer is responsible for operational governance and for day-to-day management and leadership of the company's activities, in accordance with the guidelines, instructions and decisions adopted by the Board of Directors.

In addition to the general provisions relating to division of responsibility contained in the Swedish Companies Act, the rules of procedure governing the work of the CEO specify:

- the CEO's duty to ensure that the Board of Directors receives information and the necessary documentation on which to base decisions.
- the CEO's role of presenting reports at Board meetings.
- the CEO's task and duty to ensure that the necessary information is obtained on a continuous basis from each company in the Group.
- the CEO's task and duty to monitor compliance with the Board's decisions in respect of goals, business concept, strategic plans, ethical and other guidelines and, where necessary, request a review of the same by the Board.
- tasks that must always be submitted to the Board, such as major acquisitions and sales or major investments in existing properties.
- the CEO's task and duty to ensure that Fabega fulfils its obligations in respect of information, etc. under the company's Listing Agreement with the Stockholm Stock Exchange.

The rules of procedure also contain a separate reporting instruction, which governs the content and timing of reporting to the Board.

**GROUP MANAGEMENT**

In 2008 Group management consisted of seven persons in addition to the CEO (for the current Group management, see page 66):

- Chief Financial Officer
- Director of Corporate Communications
- Director of Properties (Stockholm City)
- Director of Properties (Other Markets)
- Director of Projects & Development
- Director of Business Development
- Director of Marketing

Group management meetings are normally held every two weeks. During the meetings management addresses strategic and operational issues such as property transactions, lettings, market trends, organisational issues and monthly and quarterly business reviews. The Executive Assistant to the CEO also participates in these meetings.

**REPORT ON INTERNAL CONTROL IN RESPECT OF FINANCIAL REPORTING**

Internal control is the process performed by the Board of Directors, company management and other staff for the purpose of building confidence that the company

- has an appropriate and efficient organisation for its business operations
- produces reliable financial reports
- complies with applicable laws and regulations

This report has been prepared in accordance with the Swedish Corporate Governance Code (Sections 10.5 and 10.6). The report, which is limited to internal control in respect of financial reporting, does not constitute a part of the formal annual report and has not been examined by the company's auditors.

In its work the company uses the established COSO framework (Internal Control – Integrated Framework).

**CONTROL ENVIRONMENT**

Fabega has a geographically well contained organisation and a homogenous operational business, but its legal structure is complex. The business is capital-intensive and is characterised by large monetary flows, including rental income, expenses for project activities, acquisitions/sales of properties and financial expenses.

Overall responsibility for ensuring good internal control and efficient risk management rests with the Board of Directors. To be able to perform its work in an appropriate and efficient manner, the Board has adopted a set of rules of procedure. These contain guidelines for the work of the Board and its committees, the tasks of the Chief Executive Officer and financial reporting. The rules of procedure are updated annually.

Overall responsibility for internal control rests with the company's management and with those individuals who by virtue of their roles in the company are in charge of each defined critical process, function or area.

In 2008 the Board conducted its annual review and defined the rules of procedure for the Board, the rules of procedure for the Audit Committee and a set of ethical guidelines for the company's conduct. The company's financial reporting is governed by policies and guidelines. The company has existing policies for issues such as the environment, equal opportunities and corporate communications, accounting principles and instructions for year-end financial statements, and payment authorisation instructions, which are reviewed and updated continuously.

**RISK ASSESSMENT**

Risks and critical processes, functions and areas are defined on the basis of the control environment, significant results and

balance sheet items as well as significant business processes. Examples of processes, functions and areas that have been defined as critical for Fabège include the processes for the acquisition, sale and valuation of properties, the project process, the finance function, taxes and the year-end accounting and reporting process. Fabège conducts annual reviews and evaluations of risk areas for the purpose of identifying and managing risks through consultation between management, the Audit Committee, the company's auditors and other parties.

#### CONTROL ACTIVITIES

The Board's rules of procedure are aimed at ensuring a clear division of responsibility between the Board of Directors (and its committees) and the Chief Executive Officer (and his management group) with a view to achieving efficient risk management in the company's business operations as well as its financial reporting.

Company management is responsible for designing and documenting and for maintaining and testing the systems/processes and the internal controls that are required to manage significant risks in the accounts and the company's business operations.

Critical processes, functions and areas are described and documented in respect of division of responsibility, risks and controls. The necessary instructions, procedures and manuals are produced, updated and communicated to the relevant staff to ensure that they have up-to-date knowledge and adequate tools. The measures are aimed at integrating risk management in the company's daily procedures. Compliance with policies, guidelines and instructions is monitored on an ongoing basis. Employees are given frequent training in how to secure the required expertise.

The operating units, Property Management and Projects & Development, have a separate controller function which supplements the central controller function at Group level. Operating reports are prepared monthly and quarterly based on a standardised reporting package. Executives with responsibility for the operating business comment on/approve the reports.

A central function prepares consolidated financial statements and other financial reports in close collaboration with the controller function/operating units and the finance function. This work includes integrated control activities in the form of reconciliation with stand-alone systems/specifications of outcomes for income and expense items and balance sheet items.

#### INFORMATION AND COMMUNICATION

Company management is responsible for informing the staff concerned about their responsibility to maintain good internal control. The company's Intranet and information meetings are used to ensure that employees are kept up-to-date on the company's governing policies and guidelines.

The communications department is responsible for external information. The company's IR work is conducted on the basis of principles for regular and accurate information in accordance with stock exchange regulations. The ambition is to create understanding and build confidence in the business among investors and other stakeholders.

In addition to financial reporting to the Board, detailed reports are prepared at more frequent intervals to support of the company's internal governance and control. Monthly reports are presented and discussed at meetings of Group management.

#### FOLLOW-UP

The internal control system also needs to change over time. The aim is to ensure that this is monitored and addressed on an ongoing basis through management work at various levels of the company, both through monitoring of the individuals holding responsibility for each defined critical process, function and area and through ongoing evaluations of the internal control system.

The company's management reports regularly to the Board in accordance with the instructions for financial reporting, which are designed to ensure that the information provided is relevant, adequate, up-to-date and appropriate.

The Audit Committee also reports to the Board. It acts as an extension of the Board in respect of monitoring the preparation of and reliability of financial reports. The Audit Committee has, in addition to examining the content of and methods used in preparing financial reports, studied the way in which the more detailed and frequent internal reporting is used for evaluating and managing different areas of activity in the business. Such use also provides an indication of the quality of the control environment. The Audit Committee also performs regular reviews and evaluations of internal controls in respect of the company's critical processes.

The Audit Committee regularly studies the results of the external auditors' examination of the company's accounts and internal controls. The auditors examine the company's financial reporting in respect of the full-year financial statements and perform a review of a quarterly report.

The Board regularly evaluates the information submitted by management and the Audit Committee. Of particular significance, when required, is the Audit Committee's task of monitoring management's work on developing internal controls and of ensuring that measures are taken to address any problems and proposals that have been identified in the course of examinations by the Board, Audit Committee or auditors.

The Board of Directors has obtained information from among its members and through the Audit Committee on risk areas, risk management, financial reporting and internal control and has discussed the risks of errors in financial reporting in consultation with the external auditors.

In the course of its examinations the Audit Committee has

not found it necessary to draw the Board's attention to any significant issues or significant unaddressed risks in its financial reports.

#### INTERNAL AUDITING

In view of the homogenous and geographically limited nature of the business as well as the simple structure of the organisation, the Board has not found it necessary to set up an internal audit unit, based on the view that the monitoring and examination described, along with the work performed by the external auditors, are sufficient to maintain effective internal controls in respect of financial reporting.

#### AUDITING

Under the Companies Act, the company's auditor is required to examine the company's annual report and accounts as well as the management of the Board of Directors and Chief Executive Officer. After the end of each financial year, the auditor is required to submit an audit report to the Annual General Meeting. Auditors are appointed and compensated in accordance with the resolutions adopted at the Annual General Meeting based on proposals from the Nomination Committee.

At the 2005 AGM the auditing firm Deloitte was appointed as auditor with the authorised public accountant Svante Forsberg as chief auditor for the period up to the 2009 AGM. The Nomination Committee proposes Deloitte, through Svante Forsberg to be re-elected.

In addition to Fabege, Svante Forsberg has audit assignment for the following major companies: Anticimex, Black Earth Farming, Connecta, Diligentia and Skandia Liv. He has no other assignments for companies that are closely related to Fabege's

major owners or the CEO. In the last four years Deloitte has also assisted Fabege in audit-related assignments, mainly on prospectus and accounting issues.

The auditors reported their observations and simultaneously presented their views on the quality of internal controls in Fabege at the Board meeting held in February 2009. The auditors have participated in and presented reports at all meetings of the Audit Committee (4 in 2008). During the year reports have also been presented to company management.

Fees paid to the company's auditors are described in Note 45 on page 59.

#### DIFFERENCES IN RELATION TO THE CODE

The Swedish Corporate Governance Code is based on the principle of 'comply or explain', which means that it is not always necessary to follow all rules and that departures from one or several individual rules do not constitute a breach of the Code if such departures are justified and explained.

- The entire Board of Directors has met the company's auditors, but not without the presence of the Chief Executive Officer or another person from company management. After consulting with the company's auditors, the Board has not found it necessary to arrange such a meeting, partly because the auditors have on several occasions presented reports to the Audit Committee without the presence of the CEO.

Stockholm, 3 March 2009

The Board of Directors