

Corporate Governance Report

Fabege is a Swedish public limited-liability company with registered office in Stockholm. The company's corporate governance is based on its 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 improve standards of governance among Swedish businesses.

Corporate Governance at Fabege

Responsibility for the governance, management and control of Fabege's activities is shared 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

Fabege's shares are listed on Nasdaq OMX Stockholm. The company's share capital is SEK 5,097m, represented by 165,391,572 shares. Of these, 1,836,114 are treasury shares, representing 1.1 per cent of the total number of shares. In Fabege all shares carry the same voting rights, which means that opportunities to exercise influence as an owner are consistent with each shareholder's capital share in the company. The following shareholders, directly or indirectly hold shares that represent one tenth or more of the votes for all shares in the company:

Shareholding 31 Dec 2012	Share of votes, %
Brinova Inter AB	15.1

Fabege's ownership structure is described on page 96.

ARTICLES OF ASSOCIATION

Fabege's Articles of Association state that the company shall seek to 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, the number of Directors and auditors, and the Annual

General Meeting (AGM). The full text of Fabege's Articles of Association is available at www.fabege.se.

ANNUAL GENERAL MEETING

The AGM is the company's highest decision-making body. Shareholders who would like to participate in the business of the AGM must be registered in the transcript of the entire share register pertaining to the conditions prevailing five working days prior to the AGM and notify the company of their intention, and that of no more than two advisors, to attend the Meeting no later than 4:00 pm on the day stipulated in the notice convening the AGM.

THE NOMINATING COMMITTEE

The Nominating Committee is the AGM's body for preparing decisions relating to appointments. The Committee's task is to draw up proposals for the appointment of

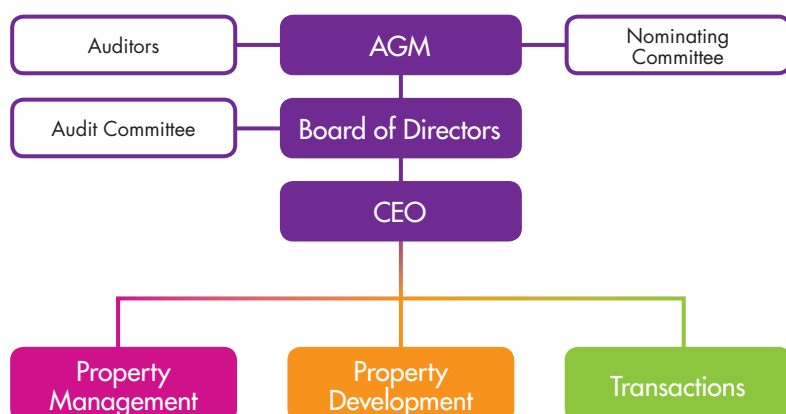
the AGM chairman, Chairman of the Board and Directors, Directors' fees, the appointment of auditors, auditors' fees and any amendments to the principles governing the election of the Nominating Committee.

The proposal for Directors' fees must specify a breakdown between the Chairman, other Directors and committee work.

THE BOARD OF DIRECTORS

Under the Swedish 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 activities on behalf of the owners in a way that secures the owners' interest in a strong long-term return on capital. Fabege's Board is to comprise eight directors.

CORPORATE GOVERNANCE STRUCTURE



Rules of procedure and instructions

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

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

- The number of Board meetings (normally six scheduled meetings in addition to the statutory meeting)
- The forms for extra meetings and telephone meetings
- Items to be included in the agenda at each meeting
- When Board material should be made available
- Minute-taking
- The duties of the Board
- The special role played by the Chairman in the Board and the specific duties arising from that role
- The appointment of an Audit Committee and a specification of the tasks to be performed by the Committee
- The forms for preparing issues relating to compensation
- Delegation of decision-making powers by the Board
- Reporting by the auditors and meetings with the auditors

The year-end report is addressed by the Board at a Board meeting held on the same date on which the report is published in the market. Other interim reports are delegated to the CEO and addressed at the immediate following Board meeting. However, Board members are always given the opportunity to read, submit opinions on and approve all reports before they are published.

Issues relating to management remuneration

Fabège's Board has no special remuneration committee. 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 remuneration issues.

AUDITING

Under the Swedish Companies Act, the company's auditor is required to examine the company's Annual Report and accounts as well as the management performed by 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. The appointment and remuneration of auditors is based on the AGM's resolutions on proposals submitted by the Nominating Committee.

At the 2009 AGM, the auditing firm, Deloitte, was appointed as the company's auditors with the authorised public accountant Svante Forsberg as chief auditor for the period up to the 2013 AGM. In addition to Fabège, Svante Forsberg has audit assignment for the following major companies: Alliance Oil, Anticimex, Black Earth Farming, Cinnober, Diligentia, Lannebo Fonder, Skandia Liv and Swedbank. He has no other assignments for companies that are closely related to Fabège's major owners or the CEO. In addition to its assignment as Fabège's appointed auditors, Deloitte has performed audit-related assignments relating primarily to tax and accounting issues.

THE AUDIT COMMITTEE

The Board has appointed an Audit Committee from among its own members. The Audit Committee acts as an extension of the Board for the monitoring of issues relating to accounting, auditing and financial reporting. Its remit includes addressing issues relating to operational risks and risk management, internal control (environment, design and implementation), accounting policies and financial follow-up and reporting, and the performance of

audits. The Committee regularly meets with senior executives to discuss and form an opinion of the state of the company's essential processes from an internal control perspective. Board members review all interim reports. The year-end report, the corporate governance report and the administration report are discussed specifically at the Committee's meeting early each year. The Committee meets regularly with the company's auditor to obtain information on the focus, scope and results of audit activities. It operates according to separate rules of procedure, which are reviewed and adopted annually by the Board. Fabège's Audit Committee meets the Code's requirements on composition and its members possess skills and experience on accounting and other issues within the Committee's area of responsibility.

MANAGEMENT

The Chief Executive Officer

The Chief Executive Officer is responsible for operational governance and for the day-to-day management and leadership of the business, 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 and obligation to ensure that the Board of Directors receives

Fabège's Code of Conduct

Fabège's objective includes maintaining long-term relations with the company's stakeholders, providing a healthy work environment for employees and maintaining high business ethics in its operations. The Code of Conduct illuminates in Fabège's position in matters involving human rights, employment condition, environment, business ethics and communication.

A given ground for the Code of Conduct is that Fabège must respect all applicable laws and other regulations as well as generally accepted business practices, and comply with international standards on human rights, labour and the environment in accordance with the UN Global Compact's ten principles.

The Code of Conduct encompasses all Fabège employees regardless of position. The Board of Directors and Group Management have a special responsibility for ensuring application of the Code of Conduct. Its content is revised and monitored annually by Group Management. All managers with personnel responsibility are responsible for ensuring that the Code of Conduct is understood and complied with in their particular department/sphere of responsibility. All employees have access to all of Fabège's policy documents via the company's intranet. The Code of Conduct in its entirety is available on the fabege.se website. ■

information and the necessary documentation on which to base decisions.

- the CEO's role of presenting reports at Board meetings.
- the CEO's duty and obligation to ensure that the necessary information is retrieved on a continuous basis from each company in the Group.
- the CEO's duty and obligation 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.
- issues that must always be submitted to the Board, such as major acquisitions and sales or major investments in existing properties.
- the CEO's duty and obligation to ensure that Fabege fulfils its obligations in respect of disclosure, etc. under the company's listing agreement with the Nasdaq OMX Stockholm.

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

Group Management

The CEO directs the work of Group management and reaches decisions in consultation with the other members of management. Group management jointly conducts

the operational control and manages the business and engages in daily management in accordance with the Board's guidelines, instructions and resolutions.

The key to success is having motivated employees. With the aim of creating the best conditions for this, Fabege's Group management has to establish a clear framework and objectives for the operation. Group management must create the conditions for employees to achieve the established objectives by:

- Clearly communicating the company's course and objectives
 - Establishing an approach based on the company's collective expertise
 - Coaching, inspiring and creating workplace satisfaction and positive energy
 - Regularly reviewing and providing feedback on the established objectives.
- Operational Group management meetings are held on a weekly basis. Once a month, minuted decision-making meetings are held, during which strategic and operational matters such as property transactions, letting, market trends, organisation and monthly and quarterly reviews are addressed. The CEO's assistant also participates in these meetings.

Operating areas

Fabège's business operations are conducted

in three areas: Property Management, Property Development and Transactions. The heads of all of the operating areas are members of Group Management. Responsibility for operational control and follow-up rests with the particular head of the operating area. Fabège's operations are managed by objectives at all levels. The objectives are broken down, developed and anchored in the particular operating area and then down to the individual co-worker. Measurement and follow-up occur regularly.

DIFFERENCES IN RELATION TO THE CODE

The application of the Code is based on the principle of 'comply or explain', which means that a company is not obliged to follow all rules without exception and that deviations from one or several individual rules do not constitute a breach of the Code if there are reasons for this and explanations are provided for such deviations.

All members of the Board of Directors have met with the company's auditors, but not without the presence of the Chief Executive Officer or another member of the management team. After consulting with the 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.

Corporate Governance 2012

ANNUAL GENERAL MEETING

The 2012 AGM was held in Stockholm on 29 March 2012. Erik Paulsson was elected to chair the meeting. The AGM was attended by shareholders holding a total of 77.9m shares, representing 48.0 per cent of the votes.

A full set of minutes from the AGM is available on Fabège's website, www.fabeg.se. The following are the principal resolutions adopted at the AGM:

Election of Directors and resolution on Directors' fees (proposed by the Nominating Committee)

The AGM resolved that the Board should consist of eight Directors and approved the re-election of Oscar Engelbert, Eva Eriksson, Christian Hermelin, Märtha Josefsson, Pär Nuder, Mats Qviberg, Erik Paulsson and Svante Paulsson to the Board. Erik Paulsson was elected Chair-

man. The AGM resolved that a total of SEK 2,555,000 (2,775,000) be paid in Directors' fees in 2012.

Cash dividend (proposed by the Board)

The dividend was fixed at SEK 3.00 and the record date was set at 3 April 2012.

Principles for the appointment of the Nominating Committee (proposed by the Nominating Committee)

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

Remuneration to management

The AGM resolved on unchanged guidelines for the remuneration of management. See further on page 86.

Authorisation on share buybacks (proposed by the Board)

The AGM decided to authorise the Board, for a period ending no later than the next AGM, to acquire and transfer shares. Share buybacks are subject to a limit of 10 per cent of the total number of outstanding shares at any time. All the treasury shares held by the company may be transferred.

AUDITING

The auditors reported their observations and simultaneously presented their views on the quality of internal controls in Fabège at the Board meeting in February 2013. The auditors have participated in and presented reports at all meetings of the Audit Committee (four in 2012). Reports were also presented to management in 2012.

Fees paid to the company's auditors are described in Note 42 on page 82.

THE NOMINATING COMMITTEE

In accordance with the AGM's decision, the four largest shareholders have been offered one seat each on Fabege's Nominating Committee, and on 21 September 2012 a Nominating Committee was announced. Following the ownership change, information on the new Nominating Committee was disclosed on 26 October 2012. The Nominating Committee consists of the following members: Bo Forsén (Brinova Fastigheter AB), Mats Qviberg (Investment AB Öresund), Eva Gottfridsdotter-Nilsson (Länsförsäkringar Fondförvaltning) and Anders Rydin (SEB Fonder). The Nominating Committee represents about 30.0 per cent of the votes in Fabege on 31 January 2013.

The Nominating Committee held two minuted meetings and remained in contact during the intervening periods. As a basis for its work, the Committee has met with the Board Chairman and listened to his views on the work of the Board. The Committee has also contacted the other Directors, the Audit Committee and the company's auditors to obtain a clear idea of the work of the Board. The Nominating 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 account of issues relating to the independence of Directors (see below for a description of the Board).

Nominating Committee's proposals 2013

The Nominating Committee proposes re-electing Eva Eriksson, Christian Hermelin, Märtha Josefsson, Pär Nuder, Erik Paulsson, Svante Paulsson and Mats Qviberg, and the new election of Gustaf Hermelin, thus proposing eight Directors. Gustaf Hermelin is to be considered independent in relation to the company and dependent in relation to company management and major shareholders. The dependence of the Directors proposed for re-election is shown in the table below. In total, the proposed Board of Directors satisfies the Code's regulations concerning the independence of Directors. The Nominating Committee also proposes election of Deloitte as auditor, with Kent Åkerlund auditor-in-charge.

The Nominating Committee's report on how its work has been conducted and its proposals ahead of the 2013 AGM are presented on the company's website. The Nominating Committee's proposals are

also presented in the official notification of the 2013 Annual General Meeting.

THE BOARD OF DIRECTORS

Composition 2012

Eight Directors were elected to the Board at the 2012 AGM, thus reducing the Board by one Director. The AGM elected Erik Paulsson as Chairman of the Board. Fabege's Chief Financial Officer, Åsa Bergström, acts as the Board's secretary.

Fabège's Board of Directors includes members that have skills and experience of great significance for the support, monitoring and control of the operations of a leading property company in Sweden. The Board aims to retain members with expertise in areas such as properties, the property market, funding and business development. A number of members of the Board have significant direct or indirect personal shareholdings in Fabege. Fabège's Board meets the requirements on independent Directors provided for in the Code.

Board meetings 2012

In 2012, the Board held six scheduled meetings of a total of twelve meetings, comprising six scheduled meetings, one statutory meeting, and five telephone meetings. There are a number of standing agenda items: financial and operational reporting, decisions on acquisitions, investments and sales, current market issues, HR issues and reporting by the Audit Committee. In addition to these, the Board has addressed a number of specific issues (see illustration on page 87).

In 2012, the Board made decisions on several major transactions and investments in the company's existing property portfolio. In 2012, Fabege sold five properties for SEK 1,448m. The remaining 50 per cent of

an already owned jointly owned property was acquired for SEK 150m. Decisions were made on investments of about SEK 2.4bn relating to the development and improvement of properties in the company's existing portfolio. In addition, a decision was made concerning the acquisition of 29.9 per cent of the shares of Catena AB. 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. Profit was discussed at the Board meeting in February 2013.

Directors' fees

The Directors are paid Directors' fees in accordance with the resolutions of the Annual General Meeting. For 2012, total fees of SEK 2,555,000 were paid, of which the Chairman received SEK 400,000 plus extra remuneration of SEK 835,000 for project work. The other Directors, except CEO, received SEK 200,000 and SEK 120,000 for work on the Board's Audit Committee, of which the chairman received SEK 60,000 and the other members SEK 30,000.

Remuneration of company management

The Board of Directors decided, in accordance with the resolution passed by the AGM concerning principles for remuneration and other employment terms and conditions for company management, on the remuneration to be paid to the CEO and other terms of employment conditions. During the year, the Board implemented a review of compliance with the principles for remuneration of senior executives.

Remuneration is to be market aligned and competitive. Responsibility and performances that coincide with shareholders' interests are to be reflected in the

The Board 2012	Elected	Independent in relation to the company and executive management	Independent in relation to major shareholders	Directors' fee, SEK '000	Attendance	
					Board	Audit Committee
Erik Paulsson, Chairman	1998	NO	NO	1,235	11	
Göte Dahlin, Director ¹⁾	2000	YES	YES	–	3	1
Oscar Engelbert, Director	2010	NO	YES	200	11	
Eva Eriksson, Director ²⁾	2011	YES	YES	230	12	3
Christian Hermelin, Director	2007	NO	YES	–	12	
Märtha Josefsson, Director	2005	YES	YES	260	12	4
Pär Nuder, Director	2010	YES	YES	230	9	4
Svante Paulsson, Director	2007	YES	NO	200	11	
Mats Qviberg, Deputy Chairman	2001	YES	YES	200	12	

¹⁾ Stepped down at the 2012 AGM.

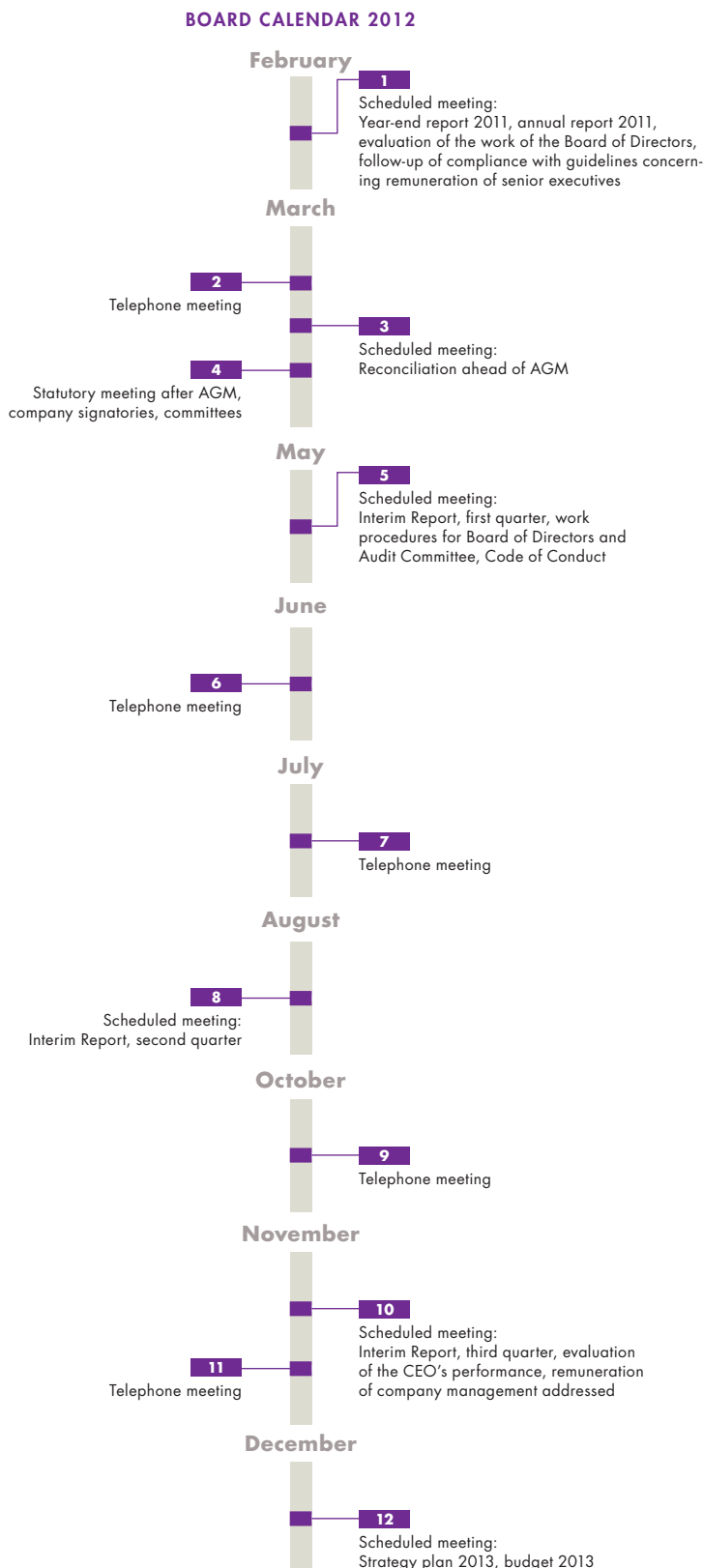
²⁾ Member of the Audit Committee since the 2012 AGM.

remuneration. The fixed salary is to be re-evaluated annually. In addition to fixed salary, remuneration may be paid for target-related performance. Such remuneration is to depend on the extent to which pre-defined targets have been achieved within the framework of the company's

activities. The targets comprise financial and non-financial criteria. Remuneration in addition to fixed salary is to be subject to a ceiling and tied to the fixed salary. Variable remuneration is limited to a maximum of three (3) monthly salaries. Variable remuneration paid to company

management must not exceed a maximum total annual cost for the company of SEK 2.1m (excluding social security fees), calculated on the basis of the number of persons who currently constitute senior executives. Other benefits, where applicable, may only constitute a limited portion of the remuneration.

Remuneration paid to the CEO and to other members of company management, as well as other benefits and employment terms and conditions, are presented in Note 6 on page 76. The principles for remuneration and employment terms and conditions will also be presented at the 2013 AGM.



The Audit Committee

The Board has appointed an Audit Committee from among its own members consisting in 2012 of Märtha Josefsson (Chairman), Eva Eriksson and Pär Nuder. In 2012, four meetings of the Audit Committee were held. During the year, considerable emphasis continued to be placed on the company's internal control system. During the year, the Audit Committee addressed areas such as processes for the procurement of major projects, valuation of properties, property transactions, the finance function and project follow-up. The Committee also addressed the company's investments in Arenastaden. Special emphasis was placed on following up the company's ongoing tax cases. Year-end accounts and valuation matters were addressed, as were operational and auditing risks. At each meeting, the company's auditors submitted a report of their review during the year. The minutes from the Audit Committee's meetings were shared with all Board members, and the Committee's Chairman submitted regular reports to the Board.

GROUP MANAGEMENT

During the year, Group Management comprised the following executives:

- Christian Hermelin: CEO
- Åsa Bergström: CFO/Deputy CEO
- Urban Sjölund: Director of Properties
- Klas Holmgren: Director of Projects and Development
- Klaus Hansen Vikström: Director of Business Development

Report on internal control in respect of financial reporting

Internal control is a process that is influenced by the Board of Directors, management and the company's employees and that has been designed to provide a reasonable assurance that the company's goals are achieved in the follow categories:

- that the company has an appropriate and efficient organisation for its business operations
- that the company produces reliable financial statements
- that the company complies with applicable laws and regulations.

The company applies the established COSO (Internal Control – Integrated Framework) framework in its work.

CONTROL ENVIRONMENT

Fabege has a geographically well contained organisation and homogenous operational activities 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. 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 team) with a view to achieving efficient risk management in the company's operations and in financial reporting. The rules of procedure are updated annually. In 2012, the Board performed its annual review and adopted rules of procedure for the Board, rules of procedure for the Audit Committee and the company's Code of Conduct.

The management team is responsible for designing and documenting and for maintaining and testing the systems/processes and internal controls that are required to manage significant risks in the accounts and the company's day-to-day activities.

Operational 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.

The company's financial reporting is governed by a set of policies and guidelines. The company has defined policies for matters such as funding, environmental issues, equal opportunities and disclosure, accounting policies and instructions for the closing of the accounts and authorisation of payments. In 2012, Fabege implemented a comprehensive overhaul and update of its policies. All policies were discussed and decided on by Group management. Information concerning resolved policies was also disseminated throughout the organisation. In addition, more detailed guidelines and instructions are reviewed and updated regularly. In May, Fabege formulated its first "communication on progress" on the UN's Global Compact. Work on developing the company's sustainability reporting is continuously under way. Sustainability reporting constitutes part of the company's annual report and, as of 2012, will be examined by Fabege's auditors.

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. The following processes, functions and areas have been defined as critical for Fabege:

- Acquisitions and sales
- New lettings and renegotiations

- Projects
- Closing of the accounts and reporting
- Funding
- Valuation of properties
- Rent payments
- Purchasing
- Tax

Fabege conducts annual reviews and evaluations of risk areas for the purpose of identifying and managing risks in consultation the Board and the Audit Committee for review by the auditors.

CONTROL ACTIVITIES

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 day-to-day procedures. Compliance with policies, guidelines and instructions is monitored on an ongoing basis. Employees are given frequent training to ensure that they have required expertise. In 2012, all of the company's critical processes were reviewed. Supplementing the external audit performed in 2012, the company also performed an internal assessment of compliance and controls in critical processes.

A central controller function supports work on the follow up the operating units – Property Management and Property Development. The control department is in charge of operational reporting. The operating units, Property Management and Projects, have a separate controller function which supplements the central controller function at Group level. Operational reports are prepared monthly and quarterly based on a standardised report-

ing package and submitted for comments/ approval to executives with operational responsibility. Reviews and updates with executives with operational responsibility are made throughout the year. Performance is assessed against budgets and forecasts, which are updated twice a year. Since 2009, the company has been producing rolling 12-month forecasts.

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 standalone systems/specifications of outcomes for income and expense items and balance sheet items. The company's operational reporting is developed and improved continuously in terms of content and system support, as well as availability to managers of the various operations.

INFORMATION AND COMMUNICATION

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

Responsibility for external information rests with the Communications department. The company's Investor Relations activities are based on principles for regular and accurate information in accordance with Nasdaq OMX Stockholm's Rule Book for Issuers. The aim is to improve knowledge of and build confidence in the company among investors, analysts and other stakeholders. In 2012, work to improve information and access to information on the external website continued. The communication of information to the market has been improved and clarified. An important development effort was also

implemented in respect of the company's intranet, featuring improvements of both availability and the information content. Particularly emphasis was also placed on improving communication with the company's customers.

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 activities at various levels of the company, both through monitoring of the individuals responsible for each defined critical process, function and area and through ongoing evaluations of the internal control system.

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

The company's management reports regularly to the Board based on the adopted 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 the extended arm of the Board in monitoring the formulation and reliability of financial reports. In addition to familiarising itself the content of and methods used in preparing financial reports, the Audit Committee has studied the way in which the more detailed and frequent internal reporting is used in evaluating and managing different areas of activity, which provides an indication of the quality of the control environment. The Committee also performs regular reviews and evaluations of internal controls in respect of critical processes and regularly studies the results of the

external auditors' examinations 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 review all quarterly interim reports.

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

The Board of Directors has informed itself through its members and through the Audit Committee on risk areas, risk management, financial reporting and internal control and has discussed risks for errors in financial reporting with the external auditors.

In the course of its work on examining and evaluating internal control in respect of critical processes in 2012, the Audit Committee found no reason to alert the Board's to any significant issues in respect of internal control or financial reporting.

INTERNAL AUDITING

To supplement the external auditing activities, Fabège is working to facilitate internal evaluations of critical processes. As a result of this work, and in view of the homogenous and geographically limited nature of the company's activities and its simple organisational structure, the Board has not found reason to set up a separate internal audit unit. The Board believes the monitoring and examination described above, coupled with the external audits, are sufficient to ensure that effective internal control in respect of financial reporting is maintained.