

# Corporate Governance Report

**Fabege is a Swedish public limited-liability company with its 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'), the main purpose of which is to improve standards of governance among Swedish businesses.**

## MESSAGE FROM THE CHAIRMAN

### A unique company with pride and an entrepreneurial spirit

Having acted as the company's advisor for a number of years now, it is very exciting to have the opportunity to get even closer to the business, and it was with great pleasure and pride that I took on the role of Chairman of the Board in 2018, taking over from Erik Paulsson. My primary task on the Board of Directors is to manage and further develop the entrepreneurial spirit that is a key characteristic of Fabege, and to help support the company on its future journey.

Fabege is unique in many ways, particularly in our capacity to create value. We acquire significant volumes of contiguous undeveloped land and construct new buildings, we improve existing buildings in attractive locations, we establish successful partnerships with proactive municipalities and create a shared vision, and we attract the right tenants, who develop their offices together with us. All this generates entirely new value for our shareholders.

I also feel that there is great pride among our employees about creating thriving districts with an identity, where each building has its own character. Some 25 years ago, Fabege was already engaged in the development of properties and districts in a way that has since become our hallmark.

We began our city district development at De Laval's turbine factory in Järila sjö and then continued in Hammarby Sjöstad. We have come a long way in Solna Business Park, Arenastaden and in Haga Norra, but there is still plenty of work left to do. And now there's Flemingsberg, where we will be launching an extremely exciting, long-term project. Flemingsberg is still largely a blank page. We are working alongside the municipality to develop the area into an attractive location for new tenants in Stockholm's new international business and research district.

One important reason why we are entering an entirely new district is to safeguard continued work with creating development rights and honing our business, as we have been doing for the past ten years. At the same time, we are responding to our customers' demands for attractive locations close to Stockholm city centre.

The share price trend was strong in 2018 as well, and the total return on the property portfolio was 16.3 per cent. We are therefore able to propose to the AGM a dividend of SEK 2.65 per share, an increase of 18 per cent compared with the previous year.

At the end of 2018, Christian Hermelin announced his decision to resign as CEO. We have come to an agreement as to how this will take place, and are working together to find a suitable replacement who will bring new energy and be able to take up where he left off. On behalf of the Board I would like to express our heartfelt thanks to Christian for his valuable contribution towards building a successful team and developing Fabege as a strong property company with a robust financial position.

Jan Litborn  
*Chairman, Fabege*



## Governance structure of the organisation



### 1. Shareholders

Fabège's shares are listed on Nasdaq OMX Stockholm. The share capital amounts to SEK 5,097m allocated among 330,783,144 shares following implementation of the 2:1 share split adopted at the 2018 AGM. At year-end, Fabège held no treasury shares. In Fabège 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:

Holdings, %	31/12/2018
Erik Paulsson with his family, privately and through companies	15.4

Fabège's ownership structure is described on pages 106–108 of the annual report.

### 2. 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.

### 3. 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 Board Members, Directors' fees, the appointment of auditors, auditors' fees and any amendments to the principles governing the election of the Nominating Committee. Shareholders wishing to submit proposals to the Nominating Committee can do so by e-mailing [ir@fabege.se](mailto:ir@fabege.se) or by sending a letter to Fabège AB. The proposal concerning Directors' fees must specify a breakdown

between the Chairman, other Board Members and representatives of the Audit Committee.

### 4. 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 performance management and financial situation of the company. Its main task is to manage the company's assets on behalf of the owners in a way that secures the owners' interest in obtaining a strong long-term return on capital. Fabège's Board is to consist of at least four and no more than nine directors. Each year, the Board adopts rules of procedure, including instructions on division of work and reporting.

### 5. 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 and the CEO. After the end of each financial year, the auditor is required to submit an audit report to the AGM. Auditors are appointed and remunerated based on AGM resolutions pursuant to proposals from the Nominating Committee. At the 2018 AGM, the auditing firm Deloitte was appointed the company's auditors with the authorised public accountant Kent Åkerlund as auditor-in-charge for the period up to the 2019 AGM.

In addition to Fabège, Kent Åkerlund has audit assignments for the following major companies: Clas Ohlson, Bactiguard and Tagehus. Kent Åkerlund 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 other auditing activities. Furthermore, Deloitte conducts a limited assurance review of Fabège's Sustainability Report, which is carried out according to GRI Standards, and a statutory review of the Sustainability Report that also satisfies requirements stipulated in the Swedish Annual Accounts Act.

## 6. 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, financial follow-up and reporting, and the performance of audits. The Committee meets regularly with senior executives to discuss and form an opinion on 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 Directors' Report are discussed specifically at the Committee's meeting at the beginning of 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. Fabege's Audit Committee meets the Code's requirements on composition and members' skills and experience in accounting and in other issues within the Committee's area of responsibility.

## 7. Remuneration Committee

A remuneration committee was established in 2018 consisting of three Board members, including the Chairman. The Committee prepares information for decisions regarding remuneration matters for the CEO and company management. The Board of Directors makes decisions regarding remuneration based on proposals from the Remuneration Committee. Prior to this, the entire Board fulfilled the function of a remuneration committee.

## 8. Management

### Chief Executive Officer

The Chief Executive Officer (CEO) 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 supply the Board of Directors with 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 monitor compliance with the Board's decisions in respect of goals, business concept, strategic plans, the company's Code of Conduct 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 decisions regarding 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 Stockholm.

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

In December 2018, Fabege's CEO announced his decision to leave the company in 2019. In order to ensure a smooth transition, the CEO will remain in post until his replacement has joined the company. The Board has initiated a recruitment process.

### Executive Management Team

The CEO directs the work of the Executive Management Team and reaches decisions in consultation with the other members of management. The Executive Management Team 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 its employees, Fabege's Executive Management Team is required to establish and gain endorsement for a clear framework and objectives for operations. The Executive Management Team must create the conditions for employees to achieve established objectives by:

- Clearly communicating the company's direction 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.

Fabege's Executive Management Team consists of six individuals, see page 91. The Executive Management Team holds weekly operational meetings and regular decision-making meetings around eight times a year. The meetings address strategic and operational matters such as property transactions, letting, market trends, organisation and monthly and quarterly reviews. Fabege's entire managers' team meets several times a year for discussions regarding, for example, the company's strategies and management issues.

## 9. Operating segments

Fabege's operational activities are conducted in three business areas: Property Management, Property Development and Transactions. Responsibility in the Property Management business area is shared between two managers: Director of Property Management and Director of Technical Operations. Each business area manager is a member of the Executive Management Team and has responsibility for operative control and follow-up. Fabege's activities are goal-oriented at all levels of the organisation. The goals are broken down, developed and established in the different business areas and at co-worker level. Performance measurements and reviews are conducted regularly.

Fabege's sustainability work is conducted as an integral part of all areas of the organisation. To underscore the importance of this work, the company has a sustainability group, in which representatives of all areas of operation are gathered in a joint forum for sustainability issues. The group meets regularly to pursue the development and communication of sustainability issues. The Board has overall responsibility for monitoring the company's sustainability work.

**Find out more about Fabege's corporate governance, rules of procedure and instructions at [www.fabege.se](http://www.fabege.se)**

- Articles of Association
- Information from previous AGMs
- Previous Corporate Governance Reports
- Board's rules of procedure and instructions
- Code of Conduct
- Our core values, SPEAK

## Policies and guidelines to support business operations

Fabege's core values (SPEAK) and the Code of Conduct form the basis for the actions of all employees. The Code of Conduct highlights Fabege's position on matters concerning human rights, terms of employment, the environment, business ethics and communication.

The Board of Directors and the Executive Management Team have specific responsibility for ensuring compliance with the Code of Conduct. The content is revised and monitored annually by the company's Board of Directors and Executive Management Team.

All managers with personnel responsibility are charged with ensuring that the Code of Conduct is known and followed in their specific department/sphere of responsibility. A foundation for the Code of Conduct is that Fabege must comply with applicable laws and other regulations and adhere to generally acceptable business customs and practices, while complying with international human rights, labour and environmental standards in accordance with the Global Compact's ten principles and the ILO's fundamental conventions on human rights at the workplace. Fabege has supported the UN's Global Compact since 2011. The company complies with the Worker Codetermination Act and with collective bargaining agreements which regulate such matters as the minimum period of notice.

Policies and guidelines for communication, personnel and business support are decided on by the Executive Management Team, continually updated and made available to all employees via Fabege's intranet. No-one at Fabege should be discriminated against on the

basis of their sex, gender identity or expression, ethnicity, disability, religion or other belief, sexual orientation or age. No cases of discrimination were reported in 2018.

Fabege's Ethics Council, which reports to the Executive Management Team, serves as support in day-to-day work. The role of the Council is to direct the work, monitor relevant external issues and pursue specific ethical matters. The Council includes representatives from business development, letting, property management, technical operation, projects, HR, communication and finance. Work has been under way for a number of years to improve the organisation's knowledge in respect of business ethics and anti-corruption. Examples of activities include information and training on anti-corruption and bribery legislation, as well as ethical discussion in connection with the company's internal conferences.

Employees are continuously provided with information on matters that have been discussed in the sustainability group and the Ethics Council. Fabege wants to act with credibility on ethical issues and is determined to intercept suspicions of any irregularities at an early stage, preferably through dialogue but also via anonymous reporting systems. For those who wish to remain anonymous, Fabege has established a whistleblower service that can be accessed via the company's website, in which both the report and any subsequent dialogue are encrypted and password protected. The whistleblower service has not been used during the year.



## Corporate governance 2018

### Annual General Meeting

The 2018 AGM was held in Stockholm on 9 April 2018. Mats Qviberg was elected to chair the meeting. The AGM was attended by shareholders holding a total of 88.4 million shares, representing 54.5 per cent of the votes represented. A full set of minutes from the AGM is available at [www.fabege.se/agm2018](http://www.fabege.se/agm2018). The following are the principal resolutions adopted at the AGM:

#### *Election of Board Members and resolution on Directors' fees*

The AGM resolved that the Board should consist of eight Board Members and approved the re-election of Anette Asklin, Anna Engbretsen, Eva Eriksson, Märtha Josefsson, Jan Litborn, Pär Nuder and Mats Qviberg, and appointed Per-Ingemar Persson to the Board.

Jan Litborn was elected Chairman. The AGM resolved that a total of SEK 2,190,000 (2,350,000) be paid in Directors' fees in 2018.

#### *Dividends, cash*

The dividend was fixed at SEK 4.50 per share (corresponding to SEK 2.25 following adjustment for the 2:1 split), with a record date of 11 April 2018.

#### *Principles for appointment of 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 is to be appointed no later than six months prior to the AGM and representatives of the four largest owners are to primarily be offered positions.

#### *Remuneration of management*

A change was made to the remuneration guidelines for company management, whereby variable remuneration may be payable at a maximum of nine months' salary. Senior executives who receive variable remuneration undertake to make a long-term investment (for a period of at least three years) of at least two-thirds of this variable salary component after tax in shares in the company. The aim is to encourage participation and commitment by offering senior executives the opportunity to become shareholders in a more structured manner.

#### *Authorisation on share buybacks*

The AGM resolved 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. Transfers may occur of all treasury shares held by the company at the time of the Board's decision.

### Auditing

The auditors reported their observations and simultaneously presented their views on the quality of internal controls in Fabege at the Board meeting in February 2018. The auditors participated in and presented reports at all four meetings of the Audit Committee. Reports were also presented to management during the year. A report was also presented on one occasion to the Board during the year without management being present. Fees paid to the company's auditors are described in Note 41 on page 81.

### Nominating Committee

In accordance with the AGM's resolution, the four largest shareholders were offered one seat each on Fabege's Nominating Committee, and on 19 September 2018, the Nominating Committee was announced.

#### COMPOSITION OF THE NOMINATING COMMITTEE

	Represented	Percentage of votes 31/08/2018, %
Bo Forsén	Backahill AB <sup>1)</sup>	15.4
Thomas Ehlin	Fourth Swedish National Pension Fund	4.5
Andreas Hofmann <sup>2)</sup>	Investment AB Öresund	3.3
Eva Gottfridsdotter-Nilsson	Länsförsäkringar Fondförvaltning	2.3
<b>Total</b>		<b>25.5</b>

<sup>1)</sup> Including Erik Paulsson with his family.

<sup>2)</sup> Andreas Hofmann replaced Mats Qviberg as Investment Öresund's representative on 26/11/2018.

#### *Nominating Committee's proposals ahead of the 2019 AGM*

The Nominating Committee proposes that the Board shall consist of seven ordinary members with no deputies. The Nominating Committee is of the opinion that the expertise and experience of Board members meets the requirements that may be imposed. The Nominating Committee aims to achieve an even gender balance.

The Nominating Committee proposes the re-election of Board members Anette Asklin, Eva Eriksson, Märtha Josefsson, Jan Litborn, Pär Nuder, Per-Ingemar Persson and Mats Qviberg. Anna Engbretsen is not standing for re-election. Furthermore, it is proposed that Jan Litborn be elected Chairman of the Board.

The Nominating Committee has also discussed the independence of the members of the Board. The proposal for the Board of Directors of Fabege satisfies the relevant requirements regarding members' independence in relation to the company, company management and the company's major shareholders.

## Board of Directors

### *Composition of the Board, 2018*

Eight Board Members were elected to the Board at the 2018 AGM. Jan Litborn was elected Chairman of the Board. Fabege's Chief Financial Officer, Åsa Bergström, acts as the Board's secretary.

Fabège's Board 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. Several of the Board Members have significant personal shareholdings in Fabège, directly or indirectly. Fabège's Board meets the requirements for the independence of Board Members provided for in the Code of Conduct.

### *The work of the Board, 2018*

In 2018, the Board held a total of 19 meetings, including six scheduled meetings, two extra meetings, one statutory meeting and ten meetings held by correspondence. There are a number of standing items on the agenda of the scheduled meetings: Financial and operational reporting, decisions on acquisitions, investments and divestments, strategic market and organisational issues and reporting by the Audit Committee. The interim reports and year-end report are addressed by the Board at a Board meeting held on the date on which the report is released to the market. The strategy plan and budget for 2019 were adopted at the December meeting. In addition, the Board addressed a number of specific matters (see diagram on page 88).

In 2018 the Board resolved on several major investments totalling SEK 3.8bn and relating to development of, and improvements to properties in the existing portfolio. In addition, decisions were made on acquisitions totalling SEK 900m, of which SEK 750m related to acquisitions of land in Flemingsberg, which is a forthcoming urban development project in cooperation with Huddinge Municipality and others. Four properties were sold during the year. 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. The assessment result was discussed at the Board meeting in December 2018. The Board of Directors also carried out its annual evaluation of the CEO's performance. Furthermore, the Board decided to make an addition to the Board of Directors' rules of procedure regarding annual follow-up of Fabège's sustainability work. The Board of Directors also conducted its annual review of Fabège's Code of Conduct and finance policy.

A special remuneration committee was established during the year consisting of three Board members, including the Chairman. The Remuneration Committee prepares remuneration matters ahead of decisions by the Board.

### *The Board of Directors' diversity policy*

Overall, Fabège's Board of Directors shall for its work have a suitable range of skills and experience for the operations being pursued, and

in order to identify and comprehend the risks to which the business is exposed and the rules that regulate the business being conducted. When appointing new Board Members, the individual member's suitability shall be reviewed with the aim of achieving a Board composition with a range of skills that are sufficient for the purposeful control of the company. The composition of the Board shall be characterised by versatility and breadth with regard to the skills, experience, gender, age, education and professional background of the elected members. It is incumbent upon the Nominating Committee to take account of this policy, with the aim of achieving an appropriate composition of the Board with respect to the company's operations and general conditions.

The composition of the Board constitutes an equal distribution between men and women and is otherwise regarded as being representative of a broad range of knowledge and valuable contact networks within relevant areas.

### *Fees to the Board of Directors*

The Board Members are paid Directors' fees in accordance with an AGM resolution and for 2018, total fees of SEK 2,190,000 were paid, of which the Chairman received SEK 500,000, other Board Members received SEK 220,000 each and SEK 150,000 was paid for work on the Board's Audit Committee, of which the chairman received SEK 70,000 and the other members SEK 40,000.

### *Remuneration of management*

In accordance with the principles of compensation and other terms of employment for management adopted by the AGM, the Board made a decision on the remuneration and other terms of employment for the CEO.

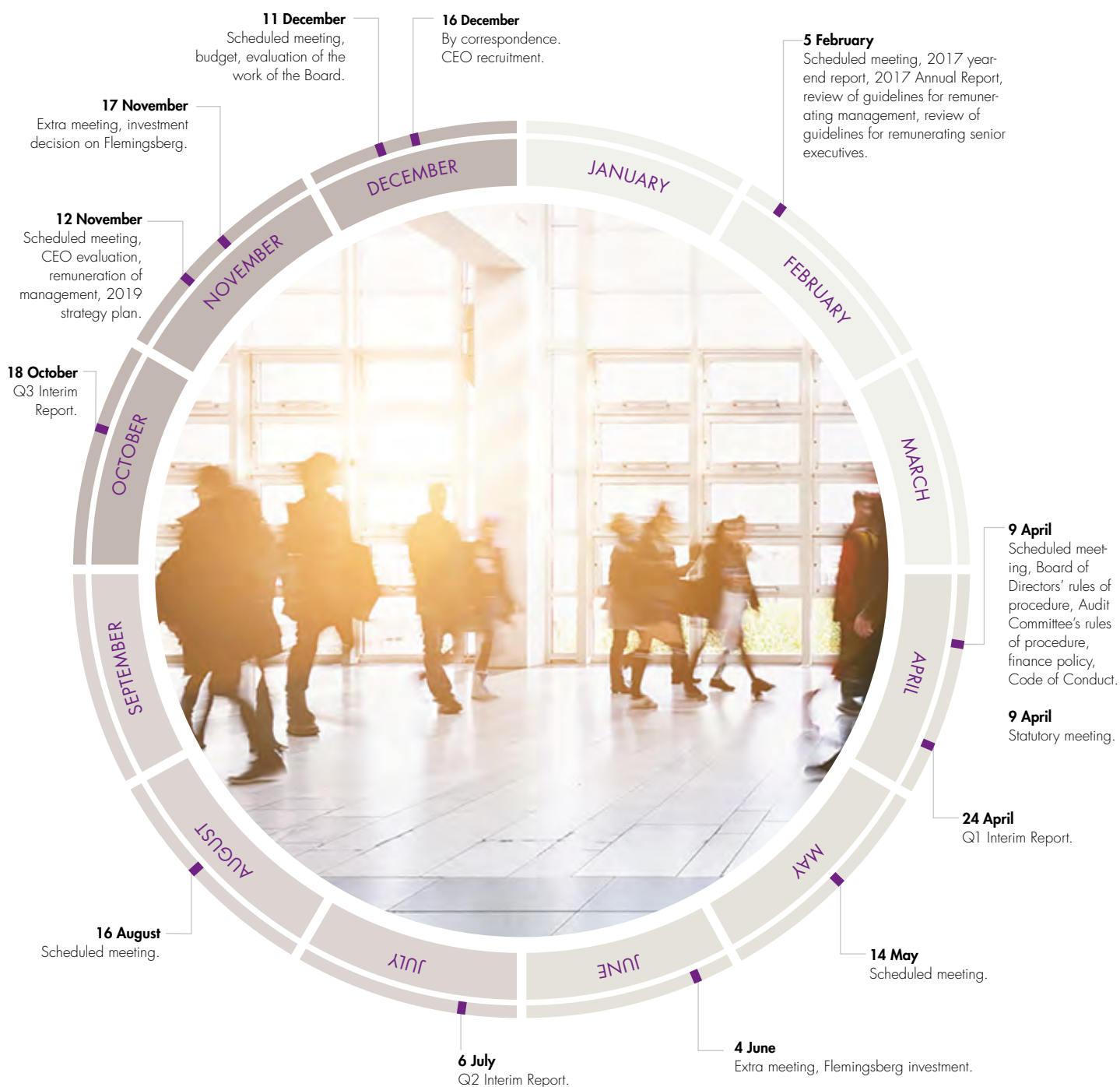
During the year, the Board reviewed compliance with the principles of remuneration for senior executives. The guidelines for remunerating senior executives are detailed on page 51.

Remuneration and other benefits and terms of employment for the CEO and management are described in Note 6 on page 73. The company's principles of remuneration and terms of employment will also be presented at the 2019 AGM.

### *The Audit Committee*

In 2018, the Board appointed an Audit Committee from among its own members consisting of Märtha Josefsson (Chair), Eva Eriksson and Pär Nuder. Four meetings were held in 2018, focusing on the company's system of internal control. During the year, the Audit Committee discussed matters such as capital market financing, fixed-income derivatives, insurance, disputes, taxation issues and follow-up of Fabège's sustainability work. 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.

# Board year 2018



## Report on internal control in respect of financial reporting

Internal control is a process that is influenced by the Board of Directors, the Executive Management Team and the company's employees and has been designed to provide reasonable assurance that the company's goals are achieved in the following 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 homogeneous operational activities, but its legal structure is complex. The business is capital-intensive and characterised by large monetary flows, including rental income, expenditure for project investments, acquisitions/sales of properties and financial expenses.

Ultimate responsibility for ensuring effective 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 rules of procedure. The Board's rules of procedure are aimed at ensuring a clear division of responsibility between the Board of Directors (including committees) and the CEO (and the Executive 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 2018, 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 Executive 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. The company's CEO and Executive Management Team, along with those individuals who by virtue of their roles in the company are in charge of each defined critical process, function or area, share operational responsibility for internal control.

The company's financial reporting is governed by a set of policies and guidelines. For example, the company has policies regarding finance, the environment, gender equality, communication, insider dealing and tax management. There are also accounting policies and instructions for the closing of accounts and authorisation of payments. A new policy for procurement of auditing services was adopted in 2017. Furthermore, a review and update of Fabege's policies was implemented. All policies were discussed and decided on by the Executive Management Team. Information concerning adopted policies was also disseminated throughout the organisation. In addition, more detailed guidelines and instructions are reviewed and

updated regularly. In April, Fabege issued its annual Communication on Progress Report to the UN Global Compact. Work on developing the company's sustainability reporting is conducted continuously. Integrated reporting has been applied since 2015, which means sustainability reporting is an integral part of financial reporting.

### 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 risk areas have been defined as critical for Fabege:

- Risk area Property Management: The processes for new letting, renegotiation and rent payments. Customer relations and customer satisfaction and the risk of rent losses.
- Risk area Technical Operation: Technical work environment and physical buildings.
- Risk area Property Development and Projects: Planning process and projects, implementation and procurement/purchasing.
- Risk area Valuation and Transactions:
- Risk area Financial Control and Finance: Liquidity risk, interest rate risk, financial information and taxes.
- Risk area Communication: Information management, brand, business ethics and IT.
- Risk area Employees: Lack of resources and dependence on key personnel.
- Risk area Environment

Fabege's Executive Management Team conducts an annual review and evaluation of risk areas, for the purpose of identifying and managing risks. This is done in consultation with the Board and the Audit Committee, for examination by the auditors. The company's internal processes and procedures provide support for the continuous management of risks.

### 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 incorporating risk management into the company's day-to-day procedures. Compliance with policies, guidelines and instructions is monitored on an ongoing basis. Employees are given regular training, or as needed, to ensure that they have the required expertise. All critical processes are reviewed regularly and in 2018, a selection of the company's critical processes was subject to special review. To supplement the external audit, the company also performed an inter-



nal assessment of compliance and controls in a selection of significant processes during 2018. A central controller function supports work on the follow-up of the operating units – Property Management and Property Development.

The controller department is in charge of operational reporting. Operational reports are prepared monthly and quarterly based on a standardised reporting package and submitted for comments/ approval to executives with operational responsibility. Reviews and updates by executives with operational responsibility are made continuously throughout the year. Monitoring of outcomes is assessed against budgets and forecasts, which are updated twice a year. For several years now 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, the 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 both content and system support, as well as availability to executives with operational responsibility.

### 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 abreast of Fabege's governing policies and guidelines.

Responsibility for external information rests with the Communications Department. Investor Relations activities are based on principles for regular and accurate information in accordance with Nasdaq 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 2018, work continued on improving information and access to information on the external website. A new and revised web platform was launched at the start of 2019. Efforts to improve and further clarify the dissemination of information to the market are ongoing. In the autumn, an in-depth customer dialogue was conducted in order to better understand and satisfy customer requirements. In November, an employee survey was also carried out. The company received high ratings in both surveys.

### Review

The internal control system needs to change over time. The aim is to ensure that this is continually monitored and addressed via management activities at various levels of the company, both through monitoring of the individuals responsible for each defined critical process, function and area and via regular evaluation 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. Information is made continually available to those with operational responsibility via the company's BI system.

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, which acts as the extended arm of the Board in monitoring the formulation and reliability of financial reports, also reports to the Board. In addition to familiarising itself with 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 various areas of activity. The Committee also performs regular reviews and evaluations of internal controls in respect of the company's 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 carry out a limited review of one quarterly report.

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

The Board of Directors has informed itself through its members and through the Audit Committee of risk areas, risk management, financial reporting and internal control and has discussed risks of 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 2018, the Audit Committee found no reason to alert the Board to any significant issues in respect of internal control or financial reporting.

### Internal auditing

To supplement the external auditing activities, Fabege is working to facilitate internal evaluations of critical processes. As a result of this work, and in view of the homogeneous 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 of financial reporting is maintained.

## Executive Management Team



### 1. Christian Hermelin

*Chief Executive Officer*

Born 1964. Employed by Fabege since 1998 and in current position since 2007.

**Previous positions:** Property Management at Nacka Strand Förvaltnings AB, Regional Manager at Oskarsborg, Project Manager at Fastighets AB Storheden.  
**Education:** Bachelor's degree in Business Administration.  
**Shareholding:** 383,834

### 2. Åsa Bergström

*Vice President, Chief Financial Officer*

Born 1964. Employed by Fabege since 2007 and in current position since 2008.

**Previous positions:** Senior Manager at KPMG, CFO positions at property companies, including Granit & Betong and Oskarsborg.  
**Education:** MSc in Economics and Business  
**Shareholding:** 67,233

### 3. Anders Borggren

*Director of Technical Operations*

Born 1958. Employed by Fabege and in current position since 2014.

**Previous positions:** Executive positions at various companies, including Director of Property Management at ISS Facility Services AB, CEO of Arcella AB, Project leader at Kungsfiskaren AB and Contract Engineer at Skanska.  
**Education:** MSc in Civil Engineering  
**Shareholding:** 39,033

### 4. Klas Holmgren

*Director of Projects and Development*

Born 1970. Employed by Fabege since 2001 and in current position since 2010.

**Previous positions:** Platzer Bygg, Site Manager Peab, Site Manager Peab Bostad, JM Entreprenad.  
**Education:** Graduate engineer  
**Shareholding:** 39,033

### 5. Charlotta Liljefors Rosell

*Director of Property Management*

Born 1963. Employed by Fabege and in current position since 2014.

**Previous positions:** The Royal Swedish Institute of Technology, AP Fastigheter, various executive positions at Vasakronan, Head of Business Area Office at AMF Fastigheter.  
**Education:** MSc in Civil Engineering  
**Shareholding:** 39,033

### 6. Klaus Hansen-Vikström

*Vice President, Director of Business Development*

Born 1953. Employed by Fabege since 2006 and in current position since 2014.

**Previous positions:** Managing Director of Stockholm Modecenter, Managing Director and founder of Brubaker AS.  
**Education:** Diploma in Specialized Business Studies  
**Shareholding:** 41,034

## Board of Directors



### Jan Litborn

*Chairman of the Board*

**Born:** 1951  
**Other assignments:** Chairman of the Board of Logistea AB, I.A. Hedin Bil AB, Arenabolaget i Solna AB and Erlandsson Holding AB. Member of the boards of Wihlborgs Fastigheter AB, A City Media AB, Consensus Asset Management AB, Profi Förvaltning AB and Anders Hedin Invest AB.  
**Education:** LL. M. (lawyer) from Stockholm University, Stockholm School of Economics. (No degree).  
**Shareholding:** 25,000  
**Elected, year:** 2017, Chairman 2018  
**Independent in relation to the company and management:** YES  
**Independent in relation to major shareholders:** YES  
**Fee, SEK 000s:** 500  
**Attendance Board Meetings:** 19 (19)  
**Attendance Audit Committee:** Not a member  
**Attendance Remuneration Committee:** 1 (1)



### Anette Asklin

*Board Member*

**Born:** 1961  
**Other assignments:** Chair of the Boards of GU Ventures AB and RO Gruppen Förvaltning AB. Board member of Jernhusen AB, InhouseTech Göteborg AB and Fondstyrelsen at the University of Gothenburg.  
**Education:** MSc in Economics and Business  
**Shareholding:** 2,000  
**Elected, year:** 2016  
**Independent in relation to the company and management:** YES  
**Independent in relation to major shareholders:** YES  
**Fee, SEK 000s:** 220  
**Attendance Board Meetings:** 19 (19)  
**Attendance Audit Committee:** Not a member  
**Attendance Remuneration Committee:** 1 (1)



### Anna Engebretsen<sup>1)</sup>

*Board Member*

**Born:** 1982  
**Other assignments:** Member of the boards of Investment AB Öresund, Bilia AB and MQ Holding AB.  
**Education:** MSc in Economics and Business  
**Shareholding:** 350,000  
**Elected, year:** 2016  
**Independent in relation to the company and management:** YES  
**Independent in relation to major shareholders:** YES  
**Fee, SEK 000s:** 220  
**Attendance Board Meetings:** 19 (19)  
**Attendance Audit Committee:** Not a member  
**Attendance Remuneration Committee:** Not a member



### Eva Eriksson

*Board Member*

**Born:** 1959  
**Other assignments:** Board Member of OBOS, Norway.  
**Education:** MSc in Engineering  
**Shareholding:** 20,000  
**Elected, year:** 2011  
**Independent in relation to the company and management:** YES  
**Independent in relation to major shareholders:** YES  
**Fee, SEK 000s:** 260  
**Attendance Board Meetings:** 19 (19)  
**Attendance Audit Committee:** 4 (4)  
**Attendance Remuneration Committee:** Not a member

<sup>1)</sup> Anna Engebretsen is not standing for re-election at the 2019 AGM.



### Märtha Josefsson

Board Member

**Born:** 1947

**Other assignments:** Member of the boards of Skandia Fonder AB, Worldwide Fund for Nature and Investment AB Öresund.

**Education:** Bachelor's degree in Economics

**Shareholding:** 241,920

**Elected, year:** 2005

**Independent in relation to the company and management:** YES

**Independent in relation to major shareholders:** YES

**Fee, SEK 000s:** 290

**Attendance Board Meetings:** 19 (19)

**Attendance Audit Committee:** 4 (4)

**Attendance Remuneration Committee:**

Not a member



### Pär Nuder

Board Member

**Born:** 1963

**Other assignments:** Chairman of the Board of SkiStar AB, AMF Pension AB, Third AP Fund, Öbergs Färghus and Hemsö Fastighets AB. Member of the boards of Beijerinvest AB and Aze-lio AB. Senior Counselor, Albright Stonebridge Group.

**Education:** LL. M.

**Shareholding:** 20,014

**Elected, year:** 2010

**Independent in relation to the company and management:** YES

**Independent in relation to major shareholders:** YES

**Fee, SEK 000s:** 260

**Attendance Board Meetings:** 18 (19)

**Attendance Audit Committee:** 4 (4)

**Attendance Remuneration Committee:**

Not a member



### Per-Ingemar Persson

Board Member

**Born:** 1956

**Other assignments:** Chairman of Northern Environmental, Water Solutions and ELU Konsult AB. Board member of Wihlborgs Fastighets AB, Hemsö Fastighets AB and Finja Prefab AB. Also a member of internal boards within the Veidekke Group.

**Education:** MSc in Engineering

**Shareholding:** 2,000

**Elected, year:** 2018

**Independent in relation to the company and management:** YES

**Independent in relation to major shareholders:** YES

**Fee, SEK 000s:** 220

**Attendance Board Meetings:** 14 (14)

**Attendance Audit Committee:** Not a member

**Attendance Remuneration Committee:**

1 (1)



### Mats Qviberg

Deputy Chairman

**Born:** 1953

**Other assignments:** Chairman of the Board of Bilia AB and Investment AB Öresund.

**Education:** MSc in Economics and Business

**Shareholdings:** Own and spouse's holdings 6,300,364

**Elected, year:** 2001

**Independent in relation to the company and management:** YES

**Independent in relation to major shareholders:** YES

**Fee, SEK 000s:** 220

**Attendance Board Meetings:** 19 (19)

**Attendance Audit Committee:** Not a member

**Attendance Remuneration Committee:**

Not a member

Directors' fees are paid in arrears.  
Shareholding at 25 February 2019

### AUDITOR

#### Kent Åkerlund

Auditor-in-Charge at Fabege since 2013.  
Authorised Public Accountant at Deloitte AB.

**Born:** 1974

**Audit assignments for the following major companies:**

Clas Ohlson, Bactiguard and Tagehus.



## Signing of the Annual Report

The Board of Directors and Chief Executive Officer hereby certify that:

- the Annual Report has been prepared in accordance with the Swedish Annual Accounts Act and RFR 2
- the Annual Report provides a true and fair view of the company's financial position and results, and
- the Directors' Report provides a true and fair overview of the development of the company's business, position and results and describes significant risks and uncertainties faced by the company.

Furthermore, the Board of Directors and Chief Executive Officer certify that:

- the consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as referred to in Regulation (EC) No 1606/2002 of 19 July 2002 on the application of international accounting standards
- the consolidated financial statements provide a true and fair view of the Group's financial position and results, and
- the Directors' Report for the Group gives a true and fair overview of the development of the Group's business, results and position and describes significant risks and uncertainties faced by the companies included in the Group.

Stockholm, 25 February 2019

Jan Litborn  
Chairman

Anette Asklin  
Board Member

Anna Engebretsen  
Board Member

Eva Eriksson  
Board Member

Märtha Josefsson  
Board Member

Pär Nuder  
Board Member

Per-Ingemar Persson  
Board Member

Mats Qviberg  
Deputy Chairman

Christian Hermelin  
Chief Executive Officer

Our Auditor's Report was submitted on 25 February 2019  
Deloitte AB

Kent Åkerlund  
Authorised Public Accountant