

# 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

### VALUE-GENERATING URBAN DEVELOPMENT

DEAR SHAREHOLDER,

**R**obust corporate governance that generates confidence from the equities market and other stakeholders is of vital importance. Fabege runs efficient operations on the basis of set strategies with clear frameworks and targets. There is a clear and effective division of responsibility between the Board and company management.

The Board members represent a range of expertise and valuable contact networks. We complement one other well and our collective expertise and experience are useful for the company's continuing development. Our year includes six scheduled Board meetings with fixed items on the agenda. Other than that the Board meets as required, often in connection with key decisions between meetings. We are close to decisions and has continuous contact with the Executive Management Team. As Chairman of the Board and a shareholder, I'm delighted to see that Fabege has once again posted an extremely successful year. The business is continuing to develop and Fabege has become increasingly known for its urban development projects and its strong position on Stockholm's property market.

Fabege pursues operations that generate considerable value and the company has drawn on its wealth of experience to establish a solid reputation as a reliable landlord and property developer on the Stockholm market. Although Arenastaden is perhaps the area that has attracted

the most attention in recent years, we are also seeing many interesting opportunities with regard to the continued development of the city portfolio and our other areas. During the year we contributed to urban development on the south side of Stockholm as well through the construction of new offices for mobile operator 3, next to Söderstaden at Globen. I'm looking forward to many new exciting projects and continued opportunities to reinforce our customer relationships and our competitive edge on the market.

The rental market in 2016 was extremely strong, with low vacancies and rising rent levels. In light of low interest rate levels, properties constitute an interesting alternative for investors, which has contributed to the positive development, with increasing revenue and property values. Fabege has managed to harness this development during the year, which has also contributed to the company's net asset value growth and thus increased shareholder value.

I'm proud of the company and all our employees, who devote so much effort to creating success. I'm convinced that our prosperous journey will continue over the coming years. Fabege has high capacity and is well-prepared for identifying future opportunities.

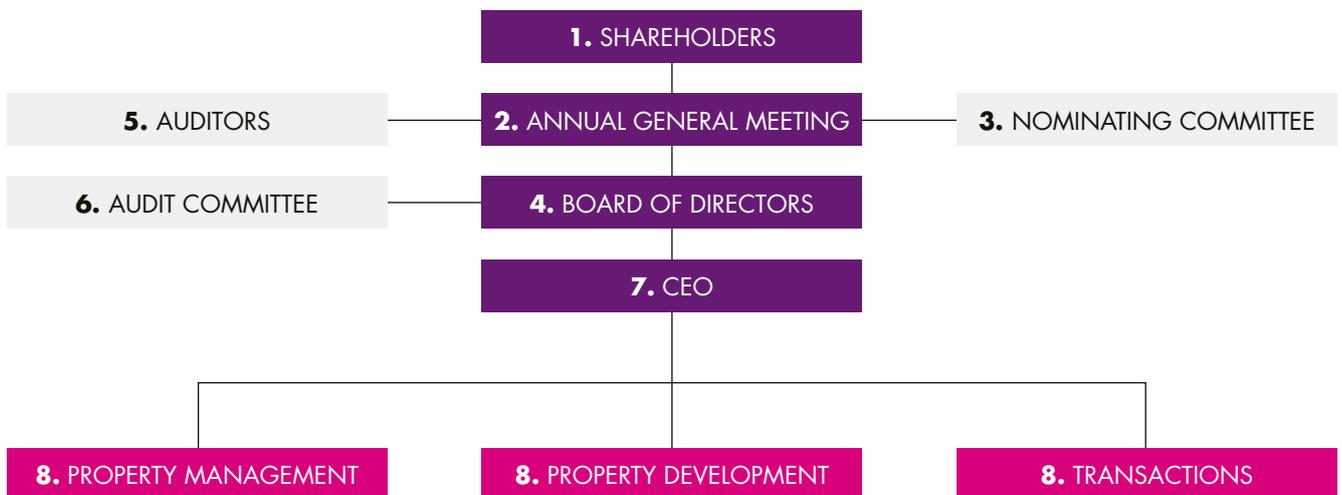
The members of the Board intend to propose a dividend of SEK 4.00 per share.

Erik Paulsson  
*Chairman of the Board, Fabege*



## GOVERNANCE STRUCTURE OF THE ORGANISATION

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



### 1. Shareholders

Fabège's shares are listed on Nasdaq OMX Stockholm. The company's share capital is SEK 5,097m, represented by 165,391,572 shares. 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 Dec 2016
Erik Paulsson with his family, privately and through companies	15.4

Fabège's ownership structure is described on pages 102–103.

### 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 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@fabège.se](mailto:ir@fabège.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.

#### Issues relating to management remuneration

Fabège's Board has no separate remuneration committee. All Board Members perform the tasks incumbent on a remuneration committee and thus participate in the process of drafting and making decisions on remuneration issues.

## 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. The appointment and remuneration of auditors are based on AGM resolutions pursuant to proposals from the Nominating Committee. At the 2016 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 2017 AGM. In addition to Fabege, Kent Åkerlund has audit assignments for the following major companies: Clas Ohlson, Bactiguard, FastPartner and Tagehus. Kent Åkerlund has no other assignments for companies that are closely related to Fabege's major owners or the CEO. In addition to its assignment as Fabege's appointed auditors, Deloitte has performed audit-related assignments relating primarily to accounting issues. Furthermore, Deloitte conducts a limited assurance review of Fabege's sustainability reporting, which is carried out in accordance with GRI 4 Core.

## 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 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 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. 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.

### 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 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 established objectives.

Faberge'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. The CEO's assistant and the HR Manager also participate in decision-making meetings. Fabege's entire managers' team meets several times a year for discussions regarding, for example, the company's strategies and management issues.

## 8. Operating segments

Faberge'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: Head of Property Management and Head of Technical Operation. Each head of operations is a member of the Executive Management Team. Each head of operations is responsible for operational 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.

Faberge'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.

### FIND OUT MORE

#### ...about Fabege's Corporate Governance, rules of procedure and instructions at [www.fabega.se](http://www.fabega.se)

- Articles of Association
- Information from previous AGMs
- Prior years' Corporate Governance Reports
- Board's rules of procedure and instructions
- Code of Conduct
- Core values, SPEAK



## POLICIES AND GUIDELINES THAT SUPPORT OPERATIONS

Faberge's core values (SPEAK) and the Code of Conduct form the basis for the actions of all employees. The Code of Conduct highlights Faberge'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 Faberge 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. Faberge 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, continu-

ally updated and made available to all employees via Faberge's intranet. At Faberge, no-one is to be discriminated against on the grounds of ethnic origin, religion, physical or mental disability, age, gender or sexual orientation. No cases of discrimination were reported in 2016.

Faberge'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. Faberge has a whistleblower function to facilitate the reporting of unethical behaviour or improprieties at the workplace. The whistleblower function consists of two in-house employees and one external member. Both internal and external whistleblowers are welcome. The whistleblower function was not utilised during the year.

## CORPORATE GOVERNANCE 2016

### Annual General Meeting

The 2016 AGM was held in Stockholm on 11 April 2016. Erik Paulsson was elected to chair the meeting. The AGM was attended by shareholders holding a total of 77.0 million shares, representing 46.5 per cent of the votes represented. A full set of minutes from the AGM is available at [www.fabege.se/agm2016](http://www.fabege.se/agm2016). 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 Eva Eriksson, Märtha Josefsson, Pär Nuder, Mats Qviberg, Erik Paulsson and Svante Paulsson, and appointed Anette Asklin and Anna Engebretsen to the Board.

Erik Paulsson was elected Chairman. The AGM resolved that a total of SEK 2,350,000 (1,950,000) be paid in Directors' fees in 2016.

#### Dividends, cash

The dividend was fixed at SEK 3.50 per share and the record date was set at 13 April 2016.

#### 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

The AGM resolved on unchanged guidelines for the remuneration of management.

#### 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 2016. The auditors participated in and presented reports at all four meetings of the Audit Committee. Reports were also presented to management during the year. 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 16 September 2016, the Nominating Committee was announced. The Nominating Committee consists of the following members: Bo Forsen (Backahill AB), Eva Gottfridsdotter-Nilsson (Länsförsäkringar Fondförvaltning), Gustav Lindner (Investment AB Öresund) and Mats Qviberg (the Qviberg family). The Nominating Committee collectively represented 23.8 per cent of the voting rights of Fabege at 31 January 2017.

The Nominating Committee held two minuted meetings and remained in contact during the intervening period. 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 also contacted other Board Members and the company's Audit Committee to obtain a clear impression of the work of the Board. The Nominating Committee discussed the size and composition of the Board in respect of industry experience, expertise, gender equality and the need for continuity and renewal of the work of the Board. The Committee also discussed and took into account issues relating to the independence of Board Members (see below for a description of the Board).

#### Composition of the Nominating Committee

Name	Represented	Proportion of votes, 31 Jan 2017, %
Bo Forsén	Backahill AB <sup>1)</sup>	15.4
Eva Gottfridsdotter-Nilsson	Länsförsäkringar fondförvaltning	2.8
Gustav Lindner	Investment AB Öresund	3.3
Mats Qviberg	The Qviberg family	2.3
<b>Total</b>		<b>23.8</b>

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

#### Nominating Committee's proposals ahead of the 2017 AGM

The Nominating Committee proposes the re-election of Anette Asklin, Anna Engebretsen, Eva Eriksson, Märtha Josefsson, Pär Nuder, Erik Paulsson and Mats Qviberg. Accordingly, the Nominating Committee proposes seven Board Members, of whom three Board Members including the Chairman represent the largest shareholders Backahill AB and the Qviberg family, and the four others are elected Board Members. For details of the Committee's other proposals, please refer to the notice of the AGM, which was published on 23 February 2017.

### Board of Directors

#### Composition of the Board, 2016

Eight Board Members were elected to the Board at the 2016 AGM. Erik Paulsson was elected Chairman of the Board. Fabege's Chief Financial Officer, Åsa Bergström, acts as the Board's secretary.

Fabege'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 Fabege, directly or indirectly. Fabege's Board meets the requirements for the independence of Board Members provided for in the Code of Conduct.

#### The work of the Board, 2016

In 2016, the Board held a total of thirteen meetings, including six scheduled meetings, one extra meeting, one statutory meeting and five meetings held by correspondence. The agenda comprises a number of standing items: Financial and operational reporting, decisions on acquisitions, investments and divestments, strategic market and organ-

isational issues and reporting by the Audit Committee. The year-end report is addressed by the Board at a Board meeting held on the date on which the report is released to the market. Other interim reports have been delegated to the CEO and are addressed at the subsequent Board meeting. However, the Members of the Board are always given an opportunity to read and comment on all interim reports prior to their publication. The strategy plan and budget for 2017 were adopted at the December meeting. In addition, the Board addressed a number of specific matters (see figure on page 88).

In 2016, the Board made decisions on several major transactions and investments in the company's existing property portfolio. A total of five properties were sold in 2016 for a combined SEK 3.6bn. Three properties were acquired for a total of SEK 0.5bn. Decisions were made on investments of about SEK 2bn relating to the development and improvement of properties in the existing portfolio. Furthermore, a decision was taken to acquire three properties in Ulriksdal from Peab, and to acquire Peab's 50 per cent shareholding in the already co-owned Visio. Following the acquisition Fabege owns 100 per cent of Visio, which owns development rights in Solna. The transaction with Peab will be completed in January 2017. The Board of Directors also decided to acquire Peab, Jernhusen and the City of Stockholm's shares in Arenabolaget i Solna KB, which owns Friends Arena. Following the acquisition, Fabege's holding in Arenabolaget is 66.7 per cent.

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 2016. The Board of Directors also carried out its annual evaluation of the CEO's performance. In addition, the Board of Directors made a decision with regard to the annual review of Fabege's Code of Conduct and finance policy. During the year, the Board also adopted a diversity policy and a tax policy.

#### The Board of Directors' diversity policy

Overall, Fabege'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.

#### Fees to the Board of Directors

The Board Members are paid Directors' fees in accordance with an AGM resolution and for 2016, total fees of SEK 2,350,000 were paid, of which the Chairman received SEK 800,000, other Board Members received SEK 200,000 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. Details of the remuneration policy are provided on page 74.

Remuneration and other benefits and terms of employment for the CEO and management are described in Note 6 on page 74. The company's principles of remuneration and terms of employment will also be presented at the 2017 AGM.

#### The Audit Committee

In 2016, the Board appointed an Audit Committee from among its own members consisting of Märtha Josefsson (Chairman), Eva Eriks-son and Pär Nuder. Four meetings were held in 2016, focusing on the company's system of internal control. In 2016, the Audit Committee dealt with areas such as multi-year simulation of the income statement and balance sheet and key ratios, acquisition and sales calculations for property transactions, and the impact for Fabege of amendments to the Swedish Code of Corporate Governance and stock market regulations. Furthermore, a review was conducted of ongoing investigations and news in the area of tax, and a tax policy for the Group was drawn up. 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 2016



## 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 that 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, 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 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 2016, 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. There are defined policies for matters such as funding, environmental issues, gender equality, communication, accounting policies and instructions for the closing of the accounts and authorisation of payments. In 2016, a new insider dealing policy was introduced as a consequence of the new Market Abuse Regulation (MAR). A tax policy adopted by the Board of Directors was also introduced during the year. 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 resolved policies was also disseminated throughout the organisation. In addition, more detailed guidelines and instructions are reviewed and updated regularly. In May, 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. A limited review of the sections that relate to sustainability reporting is conducted by the company'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 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, physical buildings and environment.
- Risk area Projects: Project 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, business ethics and IT.

Fabege's Executive Management Team conducts annual reviews and evaluations 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 2016, a selection of the company's critical processes was subject to special review. To supplement the external audit, the company also performed an internal assessment of compliance and controls in a selection of significant processes during 2016. 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 2016, work continued on improving information and access to information on the external website. Work to improve and further clarify the dissemination of information to the market is ongoing and will continue during the coming year. In the autumn, a customer survey was conducted in order to better understand and satisfy customer requirements. In November, an employee survey was also performed. 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 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. 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 interim 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 the 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 2016, 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



<b>KLAUS HANSEN VIKSTRÖM</b> VICE PRESIDENT, DIRECTOR OF BUSINESS DEVELOPMENT	<b>ÅSA BERGSTRÖM</b> VICE PRESIDENT, CHIEF FINANCIAL OFFICER	<b>KLAS HOLMGREN</b> DIRECTOR OF PROJECTS AND DEVELOPMENT	<b>ANDERS BORGGREN</b> DIRECTOR OF TECHNICAL OPERATIONS	<b>CHARLOTTA LILJEFORS ROSELL</b> DIRECTOR OF PROPERTY MANAGEMENT	<b>CHRISTIAN HERMELIN</b> CHIEF EXECUTIVE OFFICER
Born 1953. Employed in Fabège since 2006 and in current position since 2014.	Born 1964. Employed in Fabège since 2007 and in current position since 2008.	Born 1970. Employed in Fabège since 2001 and in current position since 2010.	Born 1958. Employed in Fabège and in current position since 2014.	Born 1963. Employed in Fabège and in current position since 2014.	Born 1964. Employed in Fabège since 1998 and in current position since 2007.
<b>Previous positions:</b>	<b>Previous positions:</b>	<b>Previous positions:</b>	<b>Previous positions:</b>	<b>Previous positions:</b>	<b>Previous positions:</b>
Managing Director of Stockholm Modecenter, Managing Director and founder of Brubaker AS.	Senior Manager at KPMG, CFO positions at several property companies, including Granit & Beton and Oskarsborg.	Platzer Bygg, Site Manager at Peab, Site Manager at Peab Bostad, JM Entreprenad.	Executive positions at various companies, including Director of Property Management at ISS Facility Services AB, CEO of Arctella AB, Project leader at Kungsfiskaren AB and Contract Engineer at Skanska.	The Royal Swedish Institute of Technology, AP Fastigheter, various executive positions at Vasakronan, Head of Business Area Office at AMF Fastigheter.	Property Management at Nacka Strand Förvaltnings AB, Regional Manager at Oskarsborg, Project Manager at Property AB Storheden.
<b>Education:</b>	<b>Education:</b>	<b>Education:</b>	<b>Education:</b>	<b>Education:</b>	<b>Education:</b>
Diploma in Specialised Business Studies.	Bachelor's degree in Business Administration.	Engineer.	Master of Science in Engineering.	Master of Science in Engineering.	Bachelor's degree in Business Administration.
<b>Shareholding:</b>	<b>Shareholding:</b>	<b>Shareholding:</b>	<b>Shareholding:</b>	<b>Shareholding:</b>	<b>Shareholding:</b>
40,517	51,117	39,517	39,516	39,516	231,917

# BOARD OF DIRECTORS



**ERIK PAULSSON**  
BORN 1942.  
CHAIRMAN OF THE BOARD  
SINCE 2007 AND BOARD  
MEMBER SINCE 1998.

**ANETTE ASKLIN**  
BORN 1961.  
BOARD MEMBER  
SINCE 2016.

**ANNA ENGBRETSEN**  
BORN 1982.  
BOARD MEMBER SINCE 2016.

**EVA ERIKSSON**  
BORN 1959.  
BOARD MEMBER  
SINCE 2011.

**Other assignments:**

Chairman of the Board of Backahill AB, SkiStar AB and Wihlborgs Fastigheter AB. Board Member of Catena AB.

Chairman of the Board of GU Ventures AB and RO Gruppen Förvaltning AB. Board Member of Backa Läkarhus AB and Fondstyrelsen at the University of Gothenburg.

Board Member of Investment AB Öresund, Bilia AB and MQ Holding AB.

Board Member of Hemsö Fastighets AB.

**Education:**

Lower secondary school. Business manager since 1959.

Bachelor's degree in Business Administration.

Bachelor's degree in Business Administration.

Master of Science in Engineering.

**Shareholding:**

Privately and through companies 25,184,285

1,000

200,000

10,000

**Elected, year**

1998

2016

2016

2011

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

NO

YES

YES

YES

**Independent in relation to major shareholders:**

NO

YES

YES

YES

**Fee, SEK 000s<sup>1)</sup>**

800

200

200

240

**Attendance Board Meetings:**

12 (13)

10 (10)

10 (10)

12 (13)

**Attendance Audit Committee:**

2<sup>1)</sup>

2<sup>1)</sup>

2<sup>1)</sup>

4



**AUDITOR**

**KENT ÅKERLUND**  
BORN 1974.

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

**Audit assignments for the following major companies:**  
Clas Ohlson, Bactiguard, FastPartner and Tagehus.



**MÄRTHA JOSEFSSON**  
BORN 1947.  
BOARD MEMBER  
SINCE 2005.

Board Member of Skandia Fonder AB, Worldwide Fund for Nature and Investment AB Öresund.



**PÄR NUDER**  
BORN 1963.  
BOARD MEMBER  
SINCE 2010.

Chairman of the Board of AMF Pension AB, Third AP-Fund, Öbergs färghus and Hemsö Fastighets AB. Board Member of SkiStar AB, Beijerinvest AB, IP Only and Cleanergy. Senior Counselor Albright Stonebridge Group.



**SVANTE PAULSSON<sup>3)</sup>**  
BORN 1972.  
BOARD MEMBER  
SINCE 2007.

Responsible for strategy and projects at Backahill AB. Deputy Chairman of the Board of Backahill AB. Board Member of Diös Fastigheter AB and AB Cernelle.



**MATS QVIBERG**  
BORN 1953.  
DEPUTY CHAIRMAN SINCE  
2012, BOARD MEMBER  
SINCE 2001.

Chairman of the Board of Bilja AB and Investment AB Öresund.

Bachelor's degree in Economics.

LL. M.

High School in the US.

Bachelor's degree in Business Administration.

120,960

10,007

With family and through companies 165,818

Own and spouse's holdings 3,150,182

2005

2010

2007

2001

YES

YES

YES

YES

YES

YES

NO

YES

270

240

200

200

13 (13)

12 (13)

12 (13)

13 (13)

4

4

2)

2)

<sup>1)</sup> Directors' fees are paid in arrears.

<sup>2)</sup> Not a member of the Audit Committee.

<sup>3)</sup> Svante Paulsson did not stand for re-election to the Board of Directors for 2017.

Shareholding at 31 December 2016.

# 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, 28 February 2017

Erik Paulsson  
Chairman

Anette Asklin  
Board Member

Anna Engebretsen  
Board Member

Eva Eriksson  
Board Member

Märtha Josefsson  
Board Member

Pär Nuder  
Board Member

Svante Paulsson  
Board Member

Mats Qviberg  
Deputy Chairman

Christian Hermelin  
Chief Executive Officer

Our Auditor's Report was submitted on 28 February 2017  
Deloitte AB

Kent Åkerlund  
Authorised Public Accountant