

Corporate Governance Report

Fabege is a Swedish public limited liability company with registered office in Stockholm. The company's corporate governance is based on its Articles of Association, the Swedish Companies Act and other applicable laws and regulations. Fabege applies the Swedish Corporate Governance Code (the "Code"), whose main purpose is to improve standards of governance among Swedish businesses. The Code is based on the principle of "comply or explain". The reasons for Fabege's departures from the Code are explained in greater detail at the end of this report.

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

SHAREHOLDERS

Fabege's shares are listed on Nasdaq OMX Stockholm. The company's share capital is SEK 5,097m, represented by 165,391,572 shares. Of these, 2,411,488 are treasury shares, representing 1.5 per cent of the total number of shares. In Fabege all shares carry the same voting rights at the AGM, which means that opportunities to exercise influence as an owner are consistent with each shareholder's capital share in the company. The following indirect or direct shareholdings in the company as of 31 December 2010 represent one tenth or more of the votes for all shares in the company:

Shareholding	Share of votes %
Brinova	14,3

Fabege's ownership structure is described on page 85.

ARTICLES OF ASSOCIATION

Fabege's Articles of Association state that the company shall seek to acquire, manage, add value to and divest properties. The Board of Directors has its registered office in Stockholm. In other respects, the Articles of Association contain provisions

on the number of shares, the number of Directors and auditors, and the Annual General Meeting. The full text of Fabege's Articles of Association is available at www.fabege.se.

ANNUAL GENERAL MEETING 2010

The Annual General Meeting is the company's highest decision-making body. Shareholders who would like to participate in the business of the Annual General Meeting must be registered in the transcript of the entire share register pertaining to the conditions prevailing five days prior to the Annual General Meeting 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 Annual General Meeting.

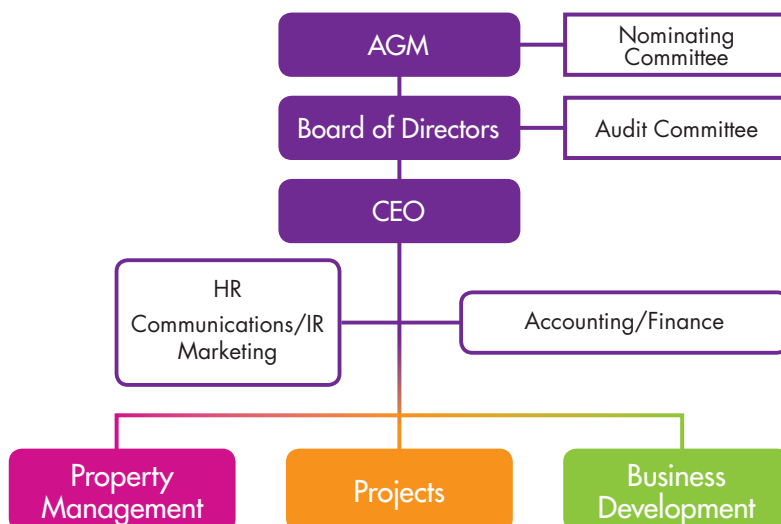
The 2010 Annual General Meeting was held in Stockholm on 24 March 2010. Erik Paulsson was elected to chair the meeting. The AGM was attended by shareholders holding a total of 59.0m shares, representing 35.9 per cent of the votes.

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

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

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

ORGANISATION



Engelbert and Pär Nuder were elected to the Board as new Directors. Erik Paulsson was elected Chairman. The AGM resolved that Directors' remuneration should remain unchanged in 2010.

Cash dividend (proposal of the Board)

The dividend was fixed at SEK 2.00 and the record date was set at 29 March 2010.

Principles for the appointment of the Nominating Committee (proposal 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 will consist of representatives for the four largest owners.

Compensation to management

Guidelines were resolved on for compensation to management. These guidelines are presented in their entirety on page 66.

Authorisation on share buybacks (proposal of the Board)

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

THE NOMINATING COMMITTEE

The Nominating Committee is the AGM's body for preparing decisions relating to appointments. The Committee's task is to draw up proposals for the appointment of the AGM chairman, Chairman of the Board and Directors, Directors' fees, the appointment of auditors, auditors' fees and any amendments to the principles governing the election of the Nominating Committee. The proposal for Directors' fees must specify a breakdown between the Chairman, other Directors and committee work.

In accordance with the AGM's decision, the four largest shareholders have been offered one seat each on Fabege's Nominating Committee, and on 30 September 2010 a Nominating Committee was announced that represents about 30.7 per cent of the votes in Fabege. The Nominating Committee consists of the following members: Anders Silverbåge (Brinova Fastigheter AB), Erik Törnberg (Investment AB Öresund), Gustaf Colliander (Cohen & Steers) and Thomas Ehlin (Nordea fonder).

The Nominating Committee has held four minuted meetings and remained in contact during the intervening periods. As a basis for its work, the Committee has met with the Board Chairman and listened to his views on the work of the Board. The Committee has also contacted the other Directors, the Audit Committee and the company's auditors to obtain a clear idea of the work of the Board. It has also studied the company's strategy, risk management and control functions. The Nominating Committee has discussed the size and composition of the Board of Directors in respect of industry experience, expertise, and the need for continuity and renewal of the work of the Board. The Committee has also discussed and taken account of issues relating to the independence of Directors (see below for a description of the Board).

The Nominating Committee's report on its activities and proposals to the 2011 AGM are available on the company's website. The Committee's proposals are also described in the notice for the 2011 AGM.

THE BOARD OF DIRECTORS

Under the Swedish Companies Act, the Board of Directors is responsible for the company's organisation and the administration of the company's affairs. The Board is required to continuously assess the financial situation of the company and Group. Its main task is to manage the company's activities on behalf of the

owners in a way that secures the owners' interest in a strong long-term return on capital.

Composition

Eight Directors were elected to the Board at the 2010 AGM. The AGM also elected Erik Paulsson as Chairman of the Board. Sven-Åke Johansson was appointed Deputy Chairman at the constituent Board meeting. Fabege's Chief Financial Officer, Åsa Bergström, acts as the Board's secretary. Up to the 2010 Annual General Meeting, the Board of Directors comprised seven members, since Arne Berggren, who was elected at the 2009 Annual General Meeting, stepped down from his seat in April 2009.

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

The Nominating Committee's proposal

The Nominating Committee proposes reelecting Göta Dahlin, Oscar Engelbert, Christian Hermelin, Märtha Josefsson, Pär Nuder, Erik Paulsson, Svante Paulsson and Mats Qviberg, and electing Eva Eriksson to the Board. Accordingly, the Nomination Committee proposes that the number of Board members be increased by one to a maximum of nine members. Out of the proposed Directors, Erik Paulsson is to be regarded as dependent in relation to the company, the Group management and in relation to major shareholders, Svante Paulsson as dependent in relation to major share-

holders, Oscar Engelbert as dependant in relation to the company, and the CEO, Christian Hermelin, as dependent in relation to the company and the Group management. The other proposed Directors are, according to the definitions contained in the Code, independent in relation to the company, the Group management and major shareholders.

Rules of procedure and instructions

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

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

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

Board meetings

In 2010, the Board held six ordinary meetings and a total of twelve meetings, including one constituent meeting, one extra meeting and four per capsulam meetings. There are a number of standing agenda items: financial and operational reporting, decisions on acquisitions, investments and sales, current market issues, HR issues and reporting by the Audit Committee. In addition to these, the

Board has addressed a number of specific issues, as follows:

1. February, ordinary meeting: Year-end financial statement 2009, annual report 2009, evaluation of the work of the Board, follow-up of compliance with guidelines on compensation for senior executives
2. March, ordinary meeting: Briefing prior to the AGM
3. March: Constituent meeting after the AGM, signing for the company, committees
4. April: Telephone meeting
5. May: Interim report for the first quarter, rules of procedure for the Board and Audit Committee, ethical guidelines
6. June: Telephone meeting
7. June: Telephone meeting
8. June: Telephone meeting
9. August, ordinary meeting: Interim report for the second quarter
10. October, extra meeting: Strategy discussion
11. November, ordinary meeting: Interim report for the third quarter, evaluation of the CEO's performance, issues relating to management remuneration.
12. December, ordinary meeting: Strategic plan 2011, budget 2011.

The year-end report is addressed by the Board at a Board meeting held on the same date on which the report is published in the market. Other interim reports are addressed at the immediate following Board meeting. However, Board members are always given the opportunity to read and submit opinions on all reports before they are published. In 2010, the Board made decisions on several major transactions and investments in the company's existing property portfolio. In 2010 Fabege sold 54 properties for SEK 4,350m. Decisions were made on investments of SEK 600m relating to the development and improvement of properties in the company's existing portfolio. At the end of the year an assessment was made of the Board, which showed that the Board was operating in a highly satisfactory manner. Profit was discussed at the Board meeting in February 2011.

The Directors are paid Directors' fees in accordance with the resolutions of the Annual General Meeting. For 2010, total fees of SEK 2,235,000 were paid, of which the Chairman received SEK 375,000 plus extra remuneration of SEK 835,000 for project work. The other Directors received SEK 185,000 and SEK 100,000 for work on the Board's Audit Committee, of which the chairman received SEK 50,000 and the other members SEK 25,000.

Information on Directors' attendance at meetings is provided in the table below. The table also shows which Directors are members of the Audit Committee.

Attendance, number of meetings

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

	Board Directors	Audit Committee
Erik Paulsson, Chairman	12	
Göte Dahlin, Director	12	4
Oscar Engelbert ²⁾	10	
Christian Hermelin, Director	12	
Sven-Åke Johansson ¹⁾	2	1
Märtha Josefsson, Director	11	4
Pär Nuder ²⁾	9	3
Svante Paulsson, Director	12	
Mats Qviberg, Director	12	

¹⁾ Stepped down at the 2010 AGM.

²⁾ Assumed seat on the Board at the 2010 AGM.

The Audit Committee

Audit Committee from among its own members consisting of Märta Josefsson (Chairman), Göte Dahlin and Pär Nuder. Sven-Åke Johansson, who was formerly the Committee's Chairman, stepped down in conjunction with the 2010 Annual General Meeting. 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 principles and financial follow-up and reporting, and the performance of audits. The Committee regularly meets with senior executives to discuss and form an opinion of the state of the company's essential pro-

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

In 2010, four meetings of the Audit Committee were held. During the year a lot of emphasis continued to be placed on the company's internal control system. During the year, the Audit Committee addressed areas such as the Group's ongoing tax cases, a review of the derivative portfolio, review of segment reporting and Fabegé's commitment to the development of Arenastaden. Year-end accounts and valuation matters were addressed, as were operational and auditing risks. At each meeting, the company's auditors submitted a report of their review during the year. The minutes from the Audit Committee's meetings were shared with all Board members, and the Committee's Chairman submitted regular reports to the Board.

Issues relating to management remuneration

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

Remuneration and other benefits and terms of employment for the CEO and

management are described in Note 6 on page 66. The company's principles of remuneration and terms of employment will also be presented at the 2011 AGM.

MANAGEMENT

The Chief Executive Officer

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

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

- the CEO's duty and obligation to ensure that the Board of Directors receives information and the necessary documentation on which to base decisions.
- the CEO's role of presenting reports at Board meetings.
- the CEO's duty and obligation to ensure that the necessary information is retrieved on a continuous basis from each company in the Group.
- the CEO's duty and obligation to monitor compliance with the Board's decisions in respect of goals, business concept, strategic plans, ethical and other guidelines, and, where necessary, request a review of the same by the Board.
- issues that must always be submitted to the Board, such as major acquisitions and sales or major investments in exiting properties.
- the CEO's duty and obligation to ensure that Fabegé fulfils its obligations in respect of disclosure, etc. under the company's listing agreement with the Nasdaq OMX Stockholm.

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

Group Management

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

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

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

- Clearly communicating the company's course and objectives
- Establishing an approach based on the company's collective expertise
- Coaching, inspiring and creating workplace satisfaction and positive energy
- Regularly reviewing and providing feedback on the established objectives.

In 2010, the Group management consisted of six persons, in addition to the CEO:

Chief Financial Officer

Director of Communications

Director of Properties

Director of Projects & Development

Director of Business Development

Director of Transactions

Operational Group management meetings are held on a weekly basis. Once a month, minuted decision-making meetings are held, during which strategic and operational matters such as property transactions, letting, market trends, organisation and monthly and quarterly reviews are addressed. The CEO's assistant also participates in these meetings.

REPORT ON INTERNAL CONTROL IN RESPECT OF FINANCIAL REPORTING

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

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

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

Control environment

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

Overall responsibility for ensuring good internal control and efficient risk management rests with the Board of Directors. To be able to perform its work in an appropriate and efficient manner, the Board has adopted a set of rules of procedure. The Board's rules of procedure are aimed at ensuring a clear division of responsibility between the Board of Directors (and its committees) and the Chief Executive Officer (and his management team) with a view to achieving efficient risk management in the company's operations and in financial reporting. The rules of procedure are updated annually. In 2010, the Board performed its annual review and adopted rules of procedure for the Board, rules of procedure for the Audit Committee and a set of ethical guidelines governing conduct at the company.

The management team is responsible for designing and documenting and for maintaining and testing the systems/processes and internal controls that are required to manage significant risks in the accounts and the company's day-to-day activities. Operational responsibility for internal control rests with the company's management and with those individuals who by virtue of their roles in the company are in charge of each defined critical process, function or area.

The company's financial reporting is governed by a set of policies and guidelines. The company has defined policies for matters such as funding, environmental issues, equal opportunities and disclosure, accounting principles and instructions for the closing of the accounts and authorisation of payments. In 2010, Fabege implemented a comprehensive review and update of its policies. All policies

were discussed and decided on by Group management. Information concerning resolved policies was also disseminated throughout the organisation. In addition, more detailed guidelines and instructions are reviewed and updated regularly. At year-end, the company initiated an effort to review the company's Code of Conduct and ethical guidelines aimed at having Fabege join the UN Global Compact.

Risk assessment

Risks and critical processes, functions and areas are defined on the basis of the control environment, significant results and balance sheet items as well as significant business processes. The following processes, functions and areas have been defined as critical for Fabege:

- Acquisitions and sales
- New lettings and renegotiations
- Projects
- Closing of the accounts and reporting
- Funding
- Valuation of properties
- Rent payments
- Purchasing
- Tax

Fabege conducts annual reviews and evaluations of risk areas for the purpose of identifying and managing risks in consultation between management, the Audit Committee, the company's auditors and other parties.

Control activities

Critical processes, functions and areas are described and documented in respect of division of responsibility, risks and controls. The necessary instructions, procedures and manuals are produced, updated and communicated to the relevant staff to ensure that they have up-to-date knowledge and adequate tools. The measures are aimed at integrating risk management in the company's day-to-day procedures. Compliance with policies, guidelines and instructions is monitored on an ongoing basis. Employees are given frequent training to ensure that they have required expertise. In 2010, all of the company's critical processes were subject to an internal review. In addition to the external audit performed in 2010, the company also performed an internal assessment of com-

pliance and controls in critical processes.

The operating units, Property Management and Projects, have a separate controller function which supplements the central controller function at Group level. Operational reports are prepared monthly and quarterly based on a standardised reporting package and submitted for comments/approval to executives with operational responsibility. Reviews and updates with executives with operational responsibility are made throughout the year. Performance is assessed against budgets and forecasts, which are updated twice a year. Since 2009 the company has been producing rolling 12-month forecasts.

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

Information and communication

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

Responsibility for external information rests with the Communications department. The company's Investor Relations activities are based on principles for regular and accurate information in accordance with Nasdaq OMX Stockholm's Rule Book for Issuers. The ambition is to improve knowledge of and build confidence in the company among investors, analysts and other stakeholders. In 2010, a comprehensive effort was implemented to improve information and access to information on the external website.

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

Follow-up

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

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

The Audit Committee also reports to the Board. It acts as the extended arm of the Board in monitoring the formulation and reliability of financial reports. In addition to examining the content of and methods used in preparing financial reports, the Audit Committee has studied the way in which the more detailed and Corporate Governance Report frequent internal reporting is used in evaluating and managing different areas of activity, which provides an indication of the quality of the control environment. The Committee also performs regular reviews and evaluations of internal controls in respect of critical processes and regularly studies the results of the external auditors' examinations of the company's accounts and internal controls. The auditors examine the company's financial reporting in respect of the full year financial statements and review all quarterly interim reports.

The Board regularly evaluates the information submitted by management and the Audit Committee. Of particular significance, when required, 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 any problems and proposals that have been identified in the course of examinations by the Board, Audit Committee or auditors.

The Board of Directors has informed itself through its members and through the Audit Committee on risk areas, risk management, financial reporting and internal control and has discussed risks

for errors in financial reporting with the external auditors.

In the course of its work on examining and evaluating internal control in respect of critical processes in 2010, the Audit Committee has not found reason to alert the Board's to any significant issues in respect of internal control or financial reporting.

Internal auditing

To supplement the external auditing activities, work began in 2009 on internally evaluating critical processes in the company. As a result of this work, and in view of the homogenous and geographically limited nature of the company's activities and its simple organisational structure, the Board has not found reason to set up a separate internal audit unit. The Board believes the monitoring and examination described above, coupled with the external audits, are sufficient to ensure that effective internal control in respect of financial reporting is maintained.

AUDITING

Under the Swedish Companies Act, the company's auditor is required to examine the company's annual report and accounts as well as the management performed by the Board of Directors and Chief Executive Officer. After the end of each financial year, the auditor is required to submit an audit report to the Annual General Meeting. The appointment and remuneration of auditors is based on the AGM's resolutions on proposals submitted by the Nominating Committee.

At the 2009 AGM, the auditing firm, Deloitte, was appointed as the company's auditors with the authorised public accountant Svante Forsberg as chief auditor for the period up to the 2013 AGM. In addition to Fabege, Svante Forsberg has audit assignment for the following major companies: Anticimex, Black Earth Farming, Connecta, Diligentia, o2 Vind, and Skandia Liv. He 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 tax and accounting issues.

The auditors reported their observations and simultaneously presented their

views on the quality of internal controls in Fabege at the Board meeting in February 2011. The auditors have participated in and presented reports at all meetings of the Audit Committee (4 in 2010). Reports were also presented to management in 2010. Fees paid to the company's auditors are described in Note 43 on page 73.

DIFFERENCES IN RELATION TO THE CODE

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

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

Stockholm, 25 February 2011

The Board of Directors



AUDITOR

Svante Forsberg

Authorised Public accountant, Deloitte. Born 1952.

Auditor at Fabege since 2005.

Other audit assignments:

Alliance Oil, Anticimex, Black Earth Farming, Connecta, Diligentia, Skandia Liv and Swedbank.