



Corporate governance within Hakon Invest

The 2007 Annual General Meeting, which was held in Stockholm on April 26, re-elected all Board members with Lars Otterbeck as Chairman of the Board. The Board held a total of 18 meetings during 2007 and matters considered at these meetings included governance of the holdings and evaluation of new investment candidates.

The corporate governance report

Corporate governance is about how a company, that is not managed by its owners, is operated so that the interests of its owners are safeguarded with the overall objective of raising shareholder value and in this way meeting the demands placed by the owners on their invested capital.

Hakon Invest applies the Swedish Code of Corporate Governance (the Code), which since July 1, 2005, is included as part of the listing agreement with the OMX Nordic Exchange.

Hakon Invest's 2007 Corporate Governance Report has not been reviewed by the company's auditors.

Corporate governance and value creation at Hakon Invest

Hakon Invest is a public company with its registered office in Stockholm, Sweden. Governance of the company is based, among other things, on the Swedish Companies Act and the listing agreement with the OMX Nordic Exchange which includes the Code.

The internal framework for Hakon Invest's corporate governance comprises the articles of association, the Board's formal work plan, the instructions to the President and adopted policies. Extracts from the policies are available on Hakon Invest's website (www.hakoninvest.se).

The Annual General Meeting, the Board of Directors and the President are responsible jointly and severally for ensuring that governance is conducted in accordance with what is stipulated in the articles of association as well as applicable legislation and rules.

Hakon Invest's business concept is to make long-term investments with favorable risk diversification within the retail sector

in the Nordic and Baltic regions. Hakon Invest possesses significant expertise and experience as well as access to an extensive network within retail and retail-related operations. The company has an investment organization that works actively with both existing holdings and evaluation of new, attractive investment candidates. On the basis of significant and active ownership Hakon Invest aims to provide its holdings with conditions and resources for development and profitable growth.

As a part-owner of ICA AB, Hakon Invest works to develop and strengthen the ICA concept, which means that merchants own and operate retail grocery stores with access to economies of scale and intellectual property rights through the ICA AB Group.

A good return is created on shareholders' invested capital through value growth in the investments and a good dividend yield, which are achieved through active and responsible ownership.

Hakon Invest's deviations from the Code

Hakon Invest has deviated from the part of the Code's rule 3.8.2 which stipulates that the Audit Committee shall comprise three members. Today, Hakon Invest's Audit Committee consists of two members. In view of the fact that ICA AB constitutes the main holding in Hakon Invest and ICA AB has an Audit Committee in which Hakon Invest has three representatives, the company has decided that two members are sufficient.

Annual General Meeting

The Annual General Meeting of Shareholders, which must be held within six months from the end of the fiscal year, considers among other things matters relating to election of Board members, where applicable election of auditors, dividend, adoption



Lars Otterbeck
Chairman

A few words from Lars Otterbeck, Chairman

What is special about the governance of Hakon Invest?

As a board we naturally have to work in the interests of all shareholders, which equally obviously is what we do. At the same time, Hakon Invest has a principal owner – ICA-handlarnas Förbund – which has a very solid majority and intends to remain as principal owner. Half the Board has its roots in ICA. Our 40% holding in ICA is at the same time our dominant asset. This link to ICA in both directions makes the circumstances a little special. It makes the company somewhat hard for the market to analyze.

The ICA influence is strong. Is that good or bad?

I usually say "it is". What is special about Sweden's most successful retail group, also affects Hakon Invest. Both

companies have an entrepreneur-driven and facilitating culture, where at the same time there is an understanding for size and cooperation.

There are some differences in corporate governance. ICA is a perpetual holding and a well-developed company while the portfolio companies are in earlier phases of development. In neither case do we do the work of company management, but we influence the companies primarily through active work on their boards. Developing the holdings portfolio through acquisitions is the part of the work of the Board that is the most "operational".

What characterized the work of the Board in 2007 is major deals that did not materialize in that very year. We analyzed a number of companies, several of which would have suited our portfolio well, but price expectations were

too high. This is why there were no major acquisitions in 2007. We therefore chose not to utilize our balance sheet capacity which with hindsight we can see was probably rather fortunate. In a slightly weaker economic climate there will be more business opportunities and acquisition opportunities will improve.

From the outset we labeled our shares as a defensive investment that offered a good return over time and growth in value. At the same time, both our principal owner and individual ICA retailers who are also in the owner circle wish to get something out of their ownership in Hakon Invest. In this respect they are no different from other shareholders. Given all the facts we can still be rather pleased with our share performance during the year. It is our task to ensure that this trend continues.

of income statement and balance sheet, discharge from liability for the members of the Board and the President. Shareholders are entitled to have a matter considered at the Meeting provided a legitimate request has been received by the company.

It is through the Annual General Meeting that Hakon Invest's owners exercise their owner influence. Shareholders who are registered in the share register as of the settlement date and who have submitted due notification are entitled to attend the Meeting.

The 2007 Annual General Meeting was held at Grand Hôtel in Stockholm on April 26, 2007. In addition to shareholders, the meeting was attended by all members of Hakon Invest's Board, all members of Executive Management, employees,

media representatives and a number of invited guests.

The Meeting resolved, among other things:

- to re-elect Lars Otterbeck, Cecilia Daun Wennborg, Anders Fredriksson, Olle Nyberg, Jan-Olle Folkesson, Thomas Strindeborn and Jan Olofsson as members of the Board
- a dividend for 2006 of SEK 5.50 per common share should be paid

The 2008 Annual General Meeting will be held on Tuesday, April 22, 2008 in the Stockholm conference room, Grand Hôtel, S. Blasieholmsvägen 8, Stockholm. Shareholders who

Nomination Committee's composition ahead of 2008 Annual General Meeting

Member	Representative for	Holding in Hakon Invest at appointment of Nomination Committee
Håkan Olofsson, ICA-handlare in Boden	ICA-handlarnas Förbund	67.41%
Claes Ottosson, ICA-handlare in Hovås (Chairman)	ICA-handlarnas Förbund	67.41%
KG Lindvall, Swedbank Robur Fonder	Swedbank Robur Fonder	1.04%
Stefan Roos, SEB Asset Management	SEB Fonder	1.70%

are registered in the share register as at April 17, 2008, and who have notified their attendance are entitled to attend the Annual General Meeting in person or through a proxy. In order to have a matter considered by the 2008 Annual General Meeting, shareholders in accordance with instructions on the website must submit a request no later than March 4, 2008.

Nomination Committee

The tasks of the Nomination Committee include evaluating the Board and its work and ahead of the Annual General Meeting submitting proposals regarding the Chairman and other Board members, Board fees, and, when appropriate, proposals for the election of auditors as well as auditing fees.

The rules for Hakon Invest's Nomination Committee were adopted at the 2007 Annual General Meeting. It is to consist of four members who represent the company's shareholders. Two of the members are appointed by the majority shareholder ICA-handlarnas Förbund and two members are appointed by the next largest owners, which at September 14, 2007, were Swedbank Robur Fonder and SEB Fonder. The composition of the Nomination Committee was announced on October 5, 2007.

The work of the Nomination Committee

The Nomination Committee held three meetings ahead of the 2008 Annual General Meeting. All members were present at these meetings. Hakon Invest's General Counsel, Fredrik Hägglund, has been co-opted to all the Nomination Committee's meetings as secretary.

No fees were paid to the members of the Nomination Committee for their work.

At its initial meeting the Nomination Committee met

the Chairman of the Board, Lars Otterbeck, and the President, Claes-Göran Sylvén each separately in order to be informed about Hakon Invest's operations and Board work. At the second meeting the Nomination Committee met Chairman of the Board Lars Otterbeck and CFO Göran Hesseborn in order to obtain information about audit work and the finance function. The Chairman of the Board then also presented the 2007 evaluation of the Board. The Nomination Committee subsequently completed its evaluation of the Board, received and evaluated proposals for Board members, agreed on proposals to the Annual General Meeting and prepared a report on the work of the Nomination Committee. The Nomination Committee's report, which describes this work in more detail, is available on Hakon Invest's website (www.hakoninvest.se). The Nomination Committee's proposals ahead of the 2008 Annual General Meeting are specified in the notice of the meeting and on the website.

Board of Directors

The work of the Board is led by a chairman and regulated by the formal work plan adopted by the Board as well as applicable laws and regulations. The Board has also prepared working instructions for its three committees, a work instruction for the President as well as other policy documents as guidelines for Hakon Invest's activities. In August each year the Board reviews the adopted formal work plans. The present formal work plans and instructions were examined in August and formally adopted on October 2, 2007.

The responsibility of the Board is, on behalf of the owners, to manage the affairs of Hakon Invest in such a way that the owners' interest in a long-term good capital return are met in the best possible manner. The Board can make decisions on

Board members elected at the 2007 Annual General Meeting

Name	Elected	Position	Independent in relation to company/owners	Committee work	Attendance at Board meetings	Remuneration for Board work/committee work (SEK 000s)
Cecilia Daun Wennborg	2005	Member	Yes/Yes	Audit Committee (chairman)	16/18	200/50
Jan-Olle Folkesson	2005	Member	Yes/Yes	Investment Committee	17/18	200/25
Anders Fredriksson	1997	Deputy Chairman	Yes/ No	Investment Committee Remuneration Committee	18/18	300/25/25
Olle Nyberg	2000	Member	Yes/ No	Audit Committee	16/18	200/25
Jan Olofsson	2005	Member	Yes/Yes	Investment Committee	18/18	200/25
Lars Otterbeck	2005	Chairman	Yes/Yes	Investment Committee (chairman) Remuneration Committee (chairman)	17/18	500/25/50
Thomas Strindeporn	2006	Member	Yes/ No	–	18/18	200

Ownership and governance of Hakon Invest

ANNUAL GENERAL MEETING

is Hakon Invest's highest decision-making body where shareholders can exercise their influence.

ICA-handlarnas Förbund
(67%)

Others approximately 13,000
shareholders (33%)

Auditors appointed by
the Annual General
Meeting examine the
annual accounts and
inform the Meeting of
their conclusions.

HAKON INVEST'S BOARD

has 7 members including the Chairman.

Audit Committee
2 members

Remuneration Committee
2 members

Investment Committee
4 members

The Nomination
Committee proposes a
Chairman of the Board and
members ahead of the
Annual General Meeting.

HAKON INVEST'S MANAGEMENT GROUP

comprises 5 people
including the President.

President appointed by the Board

CFO

Senior Vice President
Communication

General Counsel

Senior Investment
Manager

HAKON INVEST'S HOLDINGS

ICA AB's
Audit Committee

ICA AB (40%)

PORTFOLIO COMPANIES

- Forma (100%)
- Kjell & Company (50%)
- Hemma (60%)
- Cervera (45%)
- inkClub (50%)

matters of major significance to the company such as significant financial commitments and agreements as well as on significant changes to the organization. In addition to a statutory Board meeting in conjunction with the Annual General Meeting, the Board shall hold at least five meetings a year that are announced in advance.

An evaluation of the Board is carried out every year. Each Board member must complete a comprehensive questionnaire containing a range of questions about the work of the Board. The evaluation is used both to develop the work of the Board and as a basis for the Nomination Committee's evaluation of the composition of the Board.

During 2007 KPMG, on behalf of the OMX Nordic Exchange, carried out a one-year follow-up, i.e. a review of companies that have been listed for one year. In its follow-up report, KPMG stated that the work of the Board is well structured and maintains a high listed-company class. It was further stated that minutes of Board meetings are of a very high class and clearly state what decisions were made and on what basis.

Board committees

Hakon Invest's Board has set up three working committees. The committees are subordinate to the Board and do not discharge Board members from their duties and responsibilities. The work of the committees is reported to the Board on a regular basis.

Audit Committee has as its main task supervising the accounts and financial reporting and obtaining information about the auditing of Hakon Invest. The committee also monitors risk analyses within the company. The Audit Committee shall hold at least three meetings per year.

Remuneration Committee is responsible for the preparation of issues regarding remuneration and other terms of employment for Hakon Invest's Executive Management. The Remuneration Committee must hold at least two meetings per year, one of which must be held in December. The committee's chairman in consultation with other members decides on the number of meetings and when they should be held.

Investment Committee has as its main task examining the decision-making basis with regard to acquisition matters, recommending decisions and ensuring compliance with the company's investment policy. The number of meetings shall be at least one a year at which, among other things, the investment policy is examined. Additional meetings are called by the committee chairman when required.

Composition of the Board

According to the Articles of Association, Hakon Invest's Board shall consist of a minimum of five and a maximum of nine

members. The present Board consists of seven members. At the Annual General Meeting, Lars Otterbeck was elected as the Chairman of the Board and at the statutory Board meeting, Anders Fredriksson was elected as Deputy Chairman. The President makes presentations at Board meetings and the General Counsel is the secretary to the Board.

Board's independence criteria

Four members of the Board, Lars Otterbeck, Cecilia Daun Wennborg, Jan-Olle Folkesson and Jan Olofsson, are independent in relation to both the company and its management and the company's major shareholder. They all have many years of experience from management and board work in various listed companies.

The other three Board members, Anders Fredriksson, Thomas Strindeborn and Olle Nyberg, are ICA retailers and the two last-named are also members of the Board of ICA-handlarnas Förbund. ICA-handlarnas Förbund is a non-profit association for ICA retailers. According to detailed formulation of the OMX Nordic Exchange and the Code's rules on independence criteria for board members, these three members are independent in relation to the company and its management but not in relation to the principal owner ICA-handlarnas Förbund.

The work of the Board in 2007

During 2007 a total of 18 Board meetings were held, of which 13 were held by the present Board elected on April 26, 2007. Significant issues dealt with during the year included:

- The structure of the investment organization
- Acquisition candidates, including a decision on part ownership of inkClub Development AB
- Responsible corporate governance in the portfolio holdings
- Focused examination and corporate governance of ICA
- The intensified sustainability work with development of comprehensive policies and guidelines for Environmental, Social & Governance (ESG) within Hakon Invest

Committee work

The Audit Committee held five meetings before year-end. Erik Åström (the company's external auditor) attended all meetings.

The Remuneration Committee met four times, most recently in December 2007.

The Investment Committee held three meetings before year-end. Investment projects were also examined at regular Board meetings.

All committee members attended all meetings.

BOARD OF DIRECTORS

**Lars Otterbeck** Born 1942 Chairman

Lars Otterbeck, Chairman of the Board since the Annual General Meeting in 2005. He is Assistant Professor at the Stockholm School of Economics and is a Doctor of Economics. Lars Otterbeck was President and CEO of Alecta Pension Insurance during the period 2000–2004 and was previously President and CEO at D & D Daglig-

varor AB (now Axfood). Lars Otterbeck is Chairman of the Swedish Industry and Commerce Stock Exchange Committee, Vice Chairman of the Third National Pension Fund and the Swedish Corporate Governance Board. He is also a Member of the Boards of Försäkringsaktiebolaget Skandia, AB Svenska Spel and Old Mutual Plc. Shareholding: 1,200 shares

**Anders Fredriksson** Born 1954 Deputy Chairman

Anders Fredriksson was elected to the Board at the Annual General Meeting in 1997. Anders Fredriksson was a Board member of ICA-handlarnas Förbund from 1997 to 2006. He was also Chairman of the Board of ICA-handlarnas Förbund from 2001 to 2006. He is

also an ICA retailer in ICA Kvanticum Hjertbergs i Lidköping. Anders Fredriksson studied economics and law at university and has attended a number of courses at the ICA Academy.

Shareholding: 362,800 shares

**Cecilia Daun Wennborg** Born 1963

Cecilia Daun Wennborg was elected to the Board at the 2005 Annual General Meeting. She is CEO of Carema Vård och Omsorg AB. Until April 2005, she was Acting President of Skandiabanken and was previously in charge of Skandia's Swedish operations, President of

SkandiaLink Livförsäkrings AB and Financial and Administrative Director of SkandiaLink Livförsäkrings AB. She holds a degree in economics, with supplementary studies in journalism and languages.

Shareholding: 0.

**Jan-Olle Folkesson** Born 1939

Jan-Olle Folkesson was elected to the Board at the Annual General Meeting in 2005. He is also Chairman of the Board of CBN AB, Wordfinder Software and Sahlgrenskia International Care AB, and a Board member of Wallenstam AB. He also has a number of other directorships. Jan-Olle Folkesson has extensive experience of

ICA's operations, gained in the capacity of President of ICA EOL in 1986–1990 and President of ICA Företagen in 1990–1991. He is a graduate of the Swedish Retail Federation's School of Retailing in Malmö and has attended a number of courses at ICA.

Shareholding: 600 shares.

**Olle Nyberg** Born 1956

Olle Nyberg was elected to the Board at the Annual General Meeting in 2000. He is also a Member of the Board of ICA-handlarnas Förbund and is an ICA retailer

in ICA Kvanticum in Söderhamn. Olle Nyberg has attended a number of courses at the ICA Academy.

Shareholding: 15,572 shares

**Jan Olofsson** Born 1948

Jan Olofsson was elected to the Board at the Annual General Meeting in 2005. Jan Olofsson is a bank director and senior adviser at Handelsbanken Capital Markets. During the period 1992–2000 he was Head of M&A at Handelsbanken. Prior to that, he held several

senior executive positions at Esselte AB, most recently in 1985–1991 as Executive Vice President and Deputy Chief Executive Officer. Jan Olofsson is also Chairman of the Board of Init AB and Printley AB. He holds a degree in business administration.

Shareholding: 2,400 shares

**Thomas Strindeborn** Born 1961

Thomas Strindeborn was elected as a new member of the Hakon Invest Board of Directors at the 2006 Annual General Meeting. Thomas Strindeborn is an ICA retailer in Maxi ICA Stormarknad in Partille, Gothenburg, and

has been an ICA retailer since 1986. He has attended a number of courses at the ICA Academy. Thomas Strindeborn was elected Chairman of the Board of ICA-handlarnas Förbund at the 2006 Annual Meeting. Shareholding: 54,140 shares

EXECUTIVE MANAGEMENT

Claes-Göran Sylvén Born 1959 President
Claes-Göran Sylvén has been employed at Hakon Invest since 2003. Claes-Göran Sylvén is President of ICA-handlarnas Förbund, Chairman of the Board of ICA AB and Forma Publishing Group AB and Member of the Board of Svensk Handel and UGAL. Claes-Göran

Sylvén was originally an ICA retailer, and together with his family he owns ICA Kvantum Flygfyr in Norrtälje.
Shareholding:
Shares: 381,196
Call options (2008): 50,000
Call options (2010): 60,000



Göran Hesseborn Born 1960 CFO
Göran Hesseborn has been employed at Hakon Invest since 2005. He joined Hakon Invest from Spendrups AB, where he was Deputy President and CFO in 2001–2005. From 1995 to 2001, he was Deputy President and CFO of Servera R&S. Göran Hesseborn is

a Member of the Board of Forma Publishing Group AB and Chairman of the Board of Kjell & Co Elektronik AB.
Shareholding:
Shares: 1,800
Call options (2008): 50,000
Call options (2010): 29,000



Fredrik Hägglund Born 1967 General Counsel
Fredrik Hägglund has been employed at Hakon Invest since 2002. He has a Bachelor of Law degree and worked as a lawyer at Clifford Chance, Brussels in 1999–2002 and assistant lawyer at Linklaters in 1996–1999. Fredrik Hägglund also worked in Anita Gradin's cabinet for the European Commission. Since

2004, he has been a Member of the ICA AB Board and of the Board of Directors of Eurocommerce and Institutet Mot Mutur (Anti-bribery Institute).
Shareholding:
Shares: 2,300
Call options (2008): 50,000
Call options (2010): 15,000



Anders Hallgren Born 1952
Senior Vice President Communication
Anders Hallgren has been employed at Hakon Invest since 2000. Anders Hallgren was previously information manager at ICA in 1990–2000 and prior to that, he was a journalist at the newspapers

VLT (Vestmanlands läns tidning) and ICA Nyheter in 1972–1990.
Shareholding:
Shares: 3,300
Call options (2008): 50,000
Call options (2010): 6,700



Stein Petter Ski Born 1967
Senior Investment Manager
Stein Petter Ski has been employed at Hakon Invest since 2005 and in 2003–2005 was a partner at ABG Sundal Collier specialized in Corporate Finance. In 2001–2002 he worked within the Swedish Ministry of Enterprise, Energy and Communications and prior to that he held vari-

ous positions within Enskilda Securities 1989–2001. Stein Petter Ski is a Member of the Board of Kjell & Co Elektronik AB, Cervera Holding AB and inkClub Development AB.
Shareholding:
Shares: 18,000
Call options (2008): 50,000
Call options (2010): 10,000

President and Executive Management

The President, Claes-Göran Sylvén, is responsible for the day-to-day administration of Hakon Invest in line with Board guidelines and instructions. In consultation with the Board's Chairman and Deputy Chairman, the President shall draw up an agenda for Board meetings and prepare the requisite basis for information and decision-making at Board meetings. In addition, the President must ensure that the Board's members continually receive information on Hakon Invest's development in order to be able to make valid decisions.

The Board has approved President Claes-Göran Sylvén's significant assignments and financial involvement outside the

company, for example in ICA-handlarnas Förbund, and has performed an assessment of him without management being present. The Board's formal work plan and work instructions for the President govern in particular the handling of and decisions on matters related to agreements and other dealings between Hakon Invest and ICA-handlarnas Förbund.

In addition to the President Claes-Göran Sylvén, Hakon Invest's Executive Management comprises CFO Göran Hesseborn, Legal Counsel Fredrik Hägglund, Senior Vice President Communication Anders Hallgren and Senior Investment Manager Stein Petter Ski. Executive Management meets regularly to discuss the development of the company

and make decisions about matters of importance to the business.

The company's operating activities are divided into Investment, Finance, Legal Affairs and Communication.

The investment organization comprises one investment manager and two controllers headed by a Senior Investment Manager who is also responsible for the portfolio companies. These work actively with both existing holdings and potential future investments. Taken overall the investment organization possesses broad retail-oriented and financial expertise.

The Finance and Treasury function comprises five people headed by the CFO and is responsible for the Group's financial statements. The unit also handles management of Hakon Invest's financial assets.

Legal Affairs is headed by a legal counsel and is responsible for legal issues. The unit assists closely related companies when required with legal services on market terms. External legal expertise is engaged when required.

The Communication function consists of the Senior Vice President Communication and is responsible for the Group's external and internal communication, as well as an Investor Relations Manager who is responsible for investor relations and similar matters.

Work on auditing and accounting

The Board has drawn up formal working routines to ensure that work with auditing and accounting issues functions smoothly. The Board has established an Audit Committee and adopted work procedures and instructions for the President, Board of Directors and committees in order to maintain good control and appropriate relations with the company's auditors.

Internal control of financial reporting

During 2007 Hakon Invest intensified its control to ensure that its operations are appropriate and efficient and that financial reporting is reliable. In the internal control process the company applies the internationally accepted COSO model which is based on five control components: control environment, risk assessment, control activities, information and monitoring.

The COSO model is established in Hakon Invest and its wholly owned subsidiary Forma Publishing Group. As part of intensified internal control, the company has made active efforts for the COSO model to also be applied in the portfolio companies.

Hakon Invest's risk management activities are described in the section "Risk management – part of our core business" on pages 25–27 of this annual report.

According to the above-mentioned one-year follow-up performed by KPMG, Hakon Invest's monthly reports are of a high quality that allows relevant governance and monitoring.

Control environment

In the Board's formal work plan and instructions for the President and Board committees, a clear role and responsibility distribution is ensured in the interests of the efficient management of operational risks. The Board has also adopted a number of basic guidelines of significance for the work on internal control where the formal work plans for the Investment Committee, investment policy and finance policy are the most important elements.

Executive Management reports regularly to the Board in line with fixed routines. In addition, there are reports from the Audit Committee's work. Executive Management is responsible for the system of internal controls required to handle significant risks in the day-to-day operations. These include guidelines for the authority of different employees so that they are aware and realize the importance of their particular roles in maintaining good internal control.

Risk assessment

By applying the COSO model, Hakon Invest has identified a number of items in the income statement and balance sheet that may be associated with increased risk.

Control activities

Risk assessment results in a number of control activities. Hakon Invest places particular emphasis on checks designed to prevent, reveal and correct inadequacies in the income statement and balance sheet items that might be associated with increased risk.

Information and communication

Efficient and correct dissemination of information, both internally and externally, is important in order to safeguard financial control within Hakon Invest. Policies, routines, handbooks and other items of significance for financial reporting are updated and communicated to the parties involved on an ongoing basis.

Hakon Invest's employees provide relevant information to Executive Management and the Board through both formal and informal information channels. The communications policy and associated guidelines ensure that external communication is correct and meets the requirements placed on companies that are listed on the OMX Nordic Exchange.

Financial information is provided regularly through annual reports, interim reports, press releases and notices on the website. Since the interim report for January–September 2007, Hakon Invest's press conferences can be accessed via webcasts.

In its one-year follow-up report referred to above, KPMG notes that the provision of information by Hakon Invest is good and largely in accordance with the listing agreement.

Follow-up

The Board continually assesses the information submitted by Executive Management and the Audit Committee.

The Audit Committee's work in monitoring the efficiency of Executive Management's internal control is of particular importance. This follow-up includes ensuring that action is taken to deal with any shortcomings and that proposed measures arising from internal and external audit in Hakon Invest and the holdings are taken into account.

Internal audit

Hakon Invest has no internal audit function, in view of the limited size of its own operations. ICA AB, which is Hakon Invest's largest holding, has on the other hand an extensive internal audit which continually reports its findings to the Audit Committee within ICA AB's Board where Hakon Invest is represented with three people. These three people report in their turn to Hakon Invest's Audit Committee. The Board has decided that this follow-up is sufficient.

Internal control in the holdings

Hakon Invest works actively with internal control in its holding companies, including application of the COSO model. Ownership is exercised in the holdings through representation on the boards and under the motto "Active ownership every day". This includes close contacts with the holdings and continuous work with strategic and operational matters. At least one board member in each holding must be connected with Hakon Invest and the company normally seeks to be entrusted with the chairmanship. Representation on the boards ensures that reporting and internal control are managed in a satisfactory manner.

It is very important that board members and management in the holdings have adequate competence for their assignment. As part of active ownership, in 2007 Hakon Invest contributed to the process of appointing new presidents in three of its holdings – Kjell & Company, Hemma and Cervera – in order to further strengthen the expertise required for the future development of these companies. During the year all the presidents of the holdings met Hakon Invest's Board to present their company's operations.

Hakon Invest's finance function has an ongoing dialog with those responsible for finance in all the holding companies and issues instructions and advice for the preparation of each monthly, quarterly, and full-year accounts. This provides

Hakon Invest with a basis for its financial reports according to current principles and accounting standards.

An assessment is made of internal control in each individual holding. The assessment is made both ahead of an acquisition and during the ownership period. Ahead of an acquisition, due diligence of the company is carried out where the accounting, legal and operational consequences are analyzed. Hakon Invest's information and communication channels are designed to promote complete and accurate financial reporting. The extent of control within the holding is then decided separately for each company according to need.

Where risks relating to internal control are identified these are managed by the investment organization and in each holding's board in consultation with the auditors. In addition, the investment organization and Hakon Invest's board member in each holding keeps Hakon Invest's Executive Management continuously informed. Hakon Invest's President reports in turn to the Board.

Auditors

According to the articles of association, the Annual General Meeting shall appoint a minimum of one and a maximum of two auditors or one or two registered public accounting firms. At the 2006 Annual General Meeting the registered public accounting firm Ernst & Young AB was appointed as auditor for a mandate period of four years until the 2010 Annual General Meeting. Authorized public accountant Erik Åström was appointed as auditor in charge.

Ernst & Young AB meets Hakon Invest's requirement for requisite expertise. Erik Åström has experience as auditor of other listed companies such as Hennes & Mauritz (H&M), Investment AB Kinnevik, Modern Times Group (MTG), onetwocom and Apoteket AB.

The company's auditors attended a Board meeting in order to present Ernst & Young's audit process in Hakon Invest and offer Board members an opportunity to ask questions without management being present.

Incentive program

ICA-handlarnas Förbund implemented an incentive program for all employees in the Parent Company Hakon Invest AB in December 2005 following the IPO.

The President, other members of Executive Management and some key employees at Hakon Invest are included in an annual performance-based incentive program which consists of bonus and options. More information about these incentive programs is provided in Note 7 on page 71 in Hakon Invest's 2007 Annual Report.