

**Corporate Governance
Statement 2010**

CITYCON
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Citycon Group's Corporate Governance Statement for the Financial Year 2010

Citycon Group's corporate governance and decision-making are based on the Finnish Limited Liability Companies Act, Securities Market Act and the Articles of Association of the Group's parent company, Citycon Oyj, and its subsidiaries.

As a company listed on NASDAQ OMX Helsinki Ltd. (the Helsinki stock exchange), Citycon complies with the rules of the stock exchange and the Finnish Corporate Governance Code. This Statement has been prepared in accordance with Recommendation 54 of the Corporate Governance Code. The company makes no exceptions in observing the Corporate Governance Code. This Code is available on the Securities Market Association's website at www.cgfinland.fi.

This Statement has been reviewed by Citycon's Audit Committee and prepared as a separate report, distinct from the Report by the Board of Directors. Ernst & Young Oy, Citycon's audit firm, has checked that the Statement has been issued and that the description of the main features of the internal control and risk management systems related to the financial reporting process is consistent with the financial statements. The present Statement, the company's Financial Statements and the Report by the Board of Directors for the financial year 1 January–31 December 2010 were published on 9 February 2011 and are available on the corporate website at www.citycon.com.

Citycon Group

In accordance with the Finnish Limited Liability Companies Act, Citycon Group's business operations and administration are under the responsibility of the following bodies: the General Meeting, the Board of Directors and the CEO. The General Meeting elects members to the company's Board of Directors, and the Board elects the company's CEO. In managing the company's business operations, the CEO is assisted by the Corporate Management Committee whose members are appointed, upon the CEO's proposal, by the Board of Directors. The Board of Directors' work is facilitated by four Board committees. The work of the Board of Directors, its committees, the CEO and the Corporate Management Committee is steered by the Rules of Procedure for decision-making bodies and Guidelines for the division of tasks between these bodies as well as for the arrangement of internal control and risk management, as approved by Citycon's Board of Directors.

Citycon Group's Corporate Governance Structure



Board of Directors

The General Meeting of shareholders decides the number of members of the Board of Directors and elects them. Board members' terms of office end at the close of the first Annual General Meeting following their election. According to the Articles of Association, the Board of Directors consists of a minimum of five and a maximum of ten members (Directors). The Articles of Association set no other limitations on the election of Directors.

An eligible Director nominee must have the qualifications required for directorship and sufficient time at his or her disposal to manage his/her Director duties. A majority of the Directors must be independent of the company. In addition, a minimum of two Directors belonging to this majority must be independent of the company's major shareholders. The Board of Directors annually assesses its members' independence. Members of the Board of Directors are obliged to provide the Board with sufficient information for the evaluation of their qualifications and independence, and to notify the Board of any changes to this information.

At Citycon's Annual General Meeting of 11 March 2010, shareholders decided to re-elect the following Directors: Ronen Ashkenazi, Gideon Bolotowsky, Raimo Korpinen, Tuomo Lähdesmäki, Claes Ottosson, Dor J. Segal, Thomas W. Wernink, Per-Håkan Westin and Ariella Zochovitzky. At the Extraordinary General Meeting held on 17 May 2010, Chaim Katzman was also elected to the Board. Personal details of the Directors are provided herein, and their career history and key positions of trust are presented on the corporate website at www.citycon.com/Board.

The Board of Directors elects the Chairman and one or more Deputy Chairmen from among its members. In 2010, the Chairman of the Board of Directors was Thomas W. Wernink from 1 January–14 June 2010 and Chaim Katzman from 15 June–31 December 2010. Tuomo Lähdesmäki was Deputy Chairman of the Board of Directors from 1 January–10 March 2010 and Ronen Ashkenazi from 11 March–31 December 2010.

In the view of the Board of Directors, all Directors are independent of the company, given that none have an employment contract, executive contract or other contractual relationship with the company. Furthermore, the Board of Directors holds the view that Gideon Bolotowsky, Raimo Korpinen, Tuomo Lähdesmäki, Thomas W. Wernink and Per-Håkan Westin are independent of major shareholders. Since Ronen Ashkenazi, Chaim Katzman and Dor J. Segal are employed by Citycon's largest shareholder, Gazit-Globe Ltd. or its affiliated companies, they are not independent of major shareholders. Furthermore, Ariella Zochovitzky serves as Gazit-Globe Ltd.'s representative in U. Dori Group Ltd., in which Gazit-Globe Ltd. exercises control together with another shareholder, under a shareholder agreement. Thus, she is not independent of major shareholders. The Board of Directors also deems Claes Ottosson non-independent of major shareholders, as his sister is the spouse of Dor J. Segal.

Board of Directors' Work

The Finnish Limited Liability Companies Act, the Articles of Association and the Board of Directors' written Rules of Procedure determine the Board of Directors' duties and responsibilities. For example, the Board of Directors is responsible for establishing Citycon Group's strategic policies and for the due organisation of its business operations and Group administration. The Board of Directors constitutes a quorum if more than half of its members are present.

In addition to duties provided for under the applicable legislation and the company's Articles of Association, Citycon's Board of Directors shall:

- Confirm the company's long-term goals and strategy;
- Approve the company's business plan, budget and financing plan, and oversee their implementation;
- Confirm the company's principles of internal control and risk management, review and manage the main risks associated with the company's business, and monitor the adequacy, appropriateness and efficiency of the company's administrative processes;
- Decide on major and strategically important property acquisitions and divestments and other major investments;
- Confirm the company executives' duties and areas of responsibility, and the reporting system;
- Confirm the principles governing employees' short- and long-term bonus and incentive schemes, decide on said schemes as well as on the remunerations paid under said schemes,
- Determine the company's dividend policy.

The Board of Directors convenes according to an agreed meeting schedule. This schedule specifies items to be discussed in each meeting. It is based on the company's reporting schedule and the Board of Directors' strategy and budget meetings. In addition, the Board of Directors convenes annually to decide on remunerations related to the company's long-term incentive plan and to approve the company's Registration Document that is kept valid at all times. Meetings can also be held by telephone, which is necessary at times due to the Board of Directors' international composition. Items are discussed in Board meetings based on a pre-prepared agenda. Minutes of Board meetings are kept for review and approval in the following meeting.

Citycon's Board of Directors evaluates the Board's performance and working methods once a year.

In 2010, Citycon's Board of Directors convened 19 times and held several meetings not included in the original meeting schedule. Extraordinary Board meetings were related to planned and completed equity transactions, as well as to negotiations concerning potential acquisition targets conducted by the company in the ordinary course of its business. The average attendance rate was 91.1 per cent.

Citycon Oyj's Board of Directors, 1 January–31 December 2010

Director	Born	Education	Nationality	Director since	Independence	Main occupation
Chaim Katzman (Director as of 17 May 2010, Chairman as of 15 June 2010)	1949	LL.B.	US and Israel	2010	Independent of the company	Gazit Inc., founder, controlling shareholder and Chairman of the Board of Directors since 1991; Gazit-Globe Ltd., Executive Chairman of the Board of Direc- tors since 1998
Ronen Ashkenazi (Deputy Chairman as of 11 March 2010)	1962	B.Sc. (Eng.)	Israeli	2009	Independent of the company	CEO and minority shareholder of Gazit Globe Israel (Develop- ment) Ltd. since 2005
Gideon Bolotowsky	1947	M.Sc. (Eng.)	Finnish	2006	Independent of the company and significant shareholders	OsakeTieto FSMI Oy, CEO and Chairman of the Board since 2003
Raimo Korpinen	1950	LL.M.	Finnish	2004	Independent of the company and significant shareholders	Governia Oy, Managing Director since 2009
Tuomo Lähdesmäki (Deputy Chairman 2006-2010)	1957	M.Sc. (Eng.), MBA	Finnish	2004	Independent of the company and significant shareholders	Professional non-executive director
Claes Ottosson	1961	Electrical Engineer	Swedish	2004	Independent of the company	ICA Kvantum Hovås, Managing Director since 1989
Dor J. Segal	1962	High school	US	2004	Independent of the company	Gazit-Globe Ltd., Executive Vice Chairman since 2008; First Capital Realty Inc., President and CEO and Board member since 2000
Thomas W. Wernink (Chairman 2006-2010, Deputy Chairman 2005-2006)	1945	M.A. (General Economics)	Dutch	2005	Independent of the company and significant shareholders	Non-executive director on a number of property and investment companies based in Europe
Per-Håkan Westin	1946	M.Sc. (Civil Enginee- ring)	Swedish	2008	Independent of the company and significant shareholders	Professional non-executive director
Ariella Zochovitzky	1957	B.A. (Eco- nomics and Accounting), CPA (Israel), MBA	Israeli	2009	Independent of the company	C.I.G. Consultants / Capital Investments Group Ltd., General Manager & Partner since 2001; U. Dori Group Ltd., Chairman since 2008

Board Committees

The Board of Directors' work is facilitated by the following four Board committees: Audit Committee, Nomination Committee, Remuneration Committee and Strategy and Investment Committee. In Board committees, member Directors are able to delve into matters in great detail prior to the discussion of those matters by the entire Board of Directors. The Rules of Procedure for the company's decision-making bodies are approved by the Board of Directors and establish the committees' main duties and working principles.

The Board of Directors elects the Board committees' chairmen and members from among the Directors. A Board committee always has at least three members. The committee's Chairman reports to the Board of Directors on issues discussed by the committee. In addition, minutes are prepared of all committee meetings and distributed to all Directors.

The members of the Committees in 2010 are listed in the table below.

Audit Committee	Nomination Committee	Remuneration Committee	Strategy and Investment Committee
Bolotowsky Gideon	Katzman Chaim (as of 12 Oct. 2010)	Bolotowsky Gideon	Ashkenazi Ronen (Ch.)
Korpinen Raimo (Ch.)	Lähdesmäki Tuomo (Ch.)	Katzman Chaim (as of 12 Oct. 2010)	Korpinen Raimo
Wernink Thomas W.	Ottosson Claes	Lähdesmäki Tuomo (Ch.)	Segal Dor J.
Westin Per-Håkan	Wernink Thomas W.	Wernink Thomas W.	Wernink Thomas W.
Zochovitzky Ariella	Westin Per-Håkan	Zochovitzky Ariella	Westin Per-Håkan
	Zochovitzky Ariella (as of 11 March 2010)		

Committee duties

Audit Committee

The Audit Committee supports the Board in reviewing the company's financial reporting and controls.

The Audit Committee has the following duties:

- To monitor financial reporting, particularly the financial statement reporting process, and to supervise the reliability and transparency of the reporting process;
- To review the company's financial reports;
- To monitor the efficiency of internal control, internal audit and risk management systems;
- To review internal audit plans and reports;
- To review the company's Corporate Governance Statement, prepared on an annual basis, and, in particular, the description of the main aspects of the internal control and risk management systems pertaining to the financial reporting process;
- To communicate with the external auditor, review his or her reports and decide upon any measures required to be taken;
- To evaluate the independence of the chief auditor and audit firm and, in particular, the provision of related services to the company;
- To prepare for the General Meeting a resolution proposal for the election of the auditor;
- To prepare for the Board of Directors a proposal for the election of an external appraiser to assess the company's property portfolio.

Members of the Audit Committee must be independent of the company and at least one committee member must be independent of significant shareholders of the company. At least one committee member must be a financial expert who has profound knowledge and experience in the fields of accounting, bookkeeping or auditing, and in the accounting principles applicable to the company. The chief auditor of the company attends the Audit Committee's meeting which reviews the company's annual financial statements, in order to report audit findings. In addition, upon the Audit Committee's invitation, the auditor may attend committee meetings as an expert when deemed necessary.

Generally, the committee convenes at least four times per year, in accordance with the company's reporting schedule, to review its interim reports and annual financial statements. In 2010, the Audit Committee met six times and the average attendance rate was 100 per cent.

Nomination Committee

The Nomination Committee's members must be independent of the company.

The committee has the following duties:

- To seek new Director candidates;
- To prepare for the General Meeting a proposal for the election and remuneration of Directors;
- To present the General Meeting with a proposal for the appointment of Directors;
- To prepare a proposal for the Board of Directors concerning the composition and chairmen of the Board Committees.

When seeking new potential Directors, the Nomination Committee must take into account the needs of the company's operations and the company's development stage. In addition, the composition of the Board must take into account the number of Directors, their independence, age, gender, skills, experience and opportunity to devote a sufficient amount of time to their work. Moreover, the Nomination Committee must consult significant shareholders on this matter. In general, the committee convenes at least three times a year. It begins preparations for the election of Directors well in advance in the autumn prior to the following year's AGM and consults with the company's significant shareholder, Gazit-Globe Ltd. In 2010, the Nomination Committee met three times and the average attendance rate was 100 per cent.

Remuneration Committee

The Remuneration Committee members are independent of the company.

The Remuneration Committee has the following duties:

- To prepare matters pertaining to the remuneration of the company's CEO, the CEO's deputy and other senior executives;
- To prepare materials pertaining to the appointment of the company's CEO, the CEO's deputy and other senior executives, to identify possible successors and to evaluate the successor planning process concerning the entire corporate management
- To bear responsibility for the evaluation of the CEO's performance;
- To prepare and develop materials pertaining to the company's remuneration systems and to monitor their transparency and appropriateness.

The Remuneration Committee generally meets at least twice a year. In 2010, the Remuneration Committee met six times and the average attendance rate was 88.0 per cent. During the year, the committee prepared proposals to the Board of Directors regarding the company's long-term incentive scheme and its renewal.

Strategy and Investment Committee

The Strategy and Investment Committee members are independent of the company.

The Strategy and Investment Committee has the following duties:

- To supervise and develop investment and divestment planning and approval processes pertaining to the company's property business;
- To approve investment and/or divestment decisions made by the CEO within his/her decision making limits which, by a resolution of the Board, must be submitted to the Strategy and Investment Committee for approval;
- To present to the Board a resolution recommendation concerning investment and/or divestment proposals, for consideration by the Board of Directors;
- To follow-up investment projects and the integration process for acquired properties.

The committee meets as necessary, but no less than twice a year. In 2010, the committee met six times and the average attendance rate was 90.0 per cent. The committee submitted several resolution recommendations to the Board related to the (re)development projects launched by the company during the year, and discussed potential acquisition targets.

Chief Executive Officer (CEO)

The CEO is responsible for the day-to-day management and supervision of the company, in accordance with the provisions of the Finnish Limited Liability Companies Act, the Rules of Procedure for the company's decision-making bodies as well as the guidelines and directions received from the Board of Directors.

It is the duty of the CEO to manage the day-to-day operations of the company in accordance with the guidelines issued by the Board of Directors. The CEO is responsible for ensuring that the company's accounts are legally compliant and that its financial affairs have been arranged in a reliable manner.

The CEO oversees compliance with the guidelines, procedures and strategic plans established by the Board of Directors, and he or she must ensure that these guidelines, procedures and plans are submitted to the Board of Directors for update or review when

necessary. The CEO attends the Board of Directors' meetings and is responsible for ensuring that the relevant materials for consideration at Board meetings have been duly prepared. The CEO also ensures that, on a continuous basis, Directors receive the necessary information to monitor the company's financial position, liquidity, financing and development, and he or she informs the Board of Directors of any major events, decisions and plans related to the company's business. In addition, the CEO serves as chairman of the company's Corporate Management Committee.

Citycon's Board of Directors appoints the CEO and decides on the terms and conditions of his/her executive contract in writing. Since 2002, Petri Olkinuora, M.Sc. (Engineering), MBA, born in 1957, has served as Citycon Oyj's CEO. As announced by the company in December 2010, Mr Olkinuora will leave his position following the company's Annual General Meeting of 2011. The decision to leave the CEO position was mutual between Mr. Olkinuora and the Board of Directors of Citycon.

Mr. Marcel Kokkeel (MA, born in 1958), a Dutch citizen, has been appointed to be Citycon's new CEO. He will assume his duties on 24 March 2011.

Description of the Main Features of the Internal Control and Risk Management Systems Pertaining to the Financial Reporting Process

The purpose of Citycon's internal control and risk management is to ensure that operations are both efficient and effective, that reporting is consistent and reliable and that applicable laws and regulations as well as the Group's operating principles are observed. Internal control of financial reporting aims to ensure that any interim reports and financial statements to be published are reliable and are prepared in compliance with the accounting policies and reporting principles applied by Citycon.

Financial Reporting Organisation and Processes in Citycon Group

The parent company of Citycon Group is Citycon Oyj, a public Finnish limited liability company listed on the Helsinki Stock Exchange. Citycon Oyj has a total of 104 subsidiaries and associated companies in Finland, Sweden, Estonia, Lithuania and the Netherlands. The company has 83 subsidiaries and associated companies, primarily mutual real estate companies, in Finland, 15 subsidiaries in Sweden, three in Estonia, two in Lithuania and one in the Netherlands. Non-Finnish subsidiaries are mostly limited liability companies. Citycon Oyj prepares its consolidated financial statements and interim reports in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and the Finnish Securities Market Act, and complies with the Finnish Financial Supervision Authority's standards as well as the Helsinki stock exchange rules. The Report by the Board of Directors and the parent company's Financial Statements are prepared in accordance with the Finnish Accounting Act and the guidelines and statements issued by the Finnish Accounting Board.

Citycon Group's business operations are divided into three geographical business units: Finland, Sweden and the Baltic Countries. This same geographical division also applies to consolidated segment reporting. Group support functions operate in the parent company's head offices in Helsinki, Finland. Each of the company's business units has its own financial administration. To ensure quality of and control over financial reporting, Citycon has established a uniform reporting process applied by all Group companies. This includes the use of a common chart of accounts, common accounting policies and a single reporting system.

Citycon's organisational structure is designed to establish clear areas of responsibility and division of authority. The parent company's Board of Directors is responsible for arranging and maintaining adequate and effective internal control. It is the CEO's duty to attend to the implementation of practical actions vis-à-vis internal control. The CEO must maintain an organisational structure in which responsibility, authority, and reporting relationships are clearly and comprehensively defined in writing.

Projects in 2010 Concerning the Internal Control of Financial Reporting

In the spring of 2010, Citycon's Board of Directors initiated a project in which the internal control mechanisms of Citycon's major operating processes were reviewed and documented in writing and defined control points were tested. The project began with the assessment of the risks involved in each key process, the definition of process control objectives and the specification of minimum requirements for internal control points. This work was conducted by representatives of Citycon's Group functions and the business units of Finland, Sweden and the Baltic Countries. Subsequent to completion of the definition work in the summer, each business unit assessed its own operations in relation to the minimum requirement levels defined for controls, and drew up a plan regarding the necessary corrective measures. During the autumn, the status of the corrective measures in each business unit was assessed, under the guidance of the Group administration, and control points for selected processes were tested. The Group administration evaluated the shortcomings observed in tests, both together with other deviations and individually. Based on the resulting summary drawn up by the corporate management, there are no indications that these control deviations would lead to material errors in Citycon's financial statements.

The elements of Citycon's internal control framework are described below. The description takes into account the systematic internal control development work initiated in 2010 and is based on the internationally renowned COSO framework. This framework

was adopted as Citycon's internal control framework during the 2010 project. The headings used herein correspond to the COSO framework's elements: Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring.

Control Environment

Citycon Oyj's Board of Directors carries main responsibility for the internal control of financial reporting processes. The Board of Directors has written Rules of Procedure which specify the division of duties and responsibilities between the Board and its committees. The Board of Directors has established an Audit Committee, whose duties include reviewing the appropriateness of the financial reporting process and system of internal control. (The Audit Committee's duties have been presented in more detail as part of the presentation of the Board of Directors and its committees.) Maintaining the internal control system is defined as a duty of the CEO. The Internal Audit function reports audit results to the Board's Audit Committee.

Guidelines and procedures related to the internal control of the financial reporting process include the following: The Rules of Procedure of the Board of Directors and its Committees and the Guidelines for the Division of Tasks between the Board of Directors, the CEO and the Corporate Management Committee; decision-making authorisations including approval limits in euros; Citycon Group Accounting Policies and Reporting Guidelines; the Internal Audit Charter; Risk Management Policy; Treasury Policy and detailed process-level Control Catalogues.

All Citycon employees have a written job description, which includes key duties as well as instructions for decision-making situations and authorisations. Duties are checked twice a year during employee performance reviews, in which each employee's performance is assessed relative to set targets.

Budget and Planning Process

The budget process is a regular management activity at Citycon and comprises annual planning and target setting. Through the annual budget process, financial and non-financial targets are set for Citycon personnel. Initially, Group level targets are set. These are then translated into business unit targets and employee level targets for the period. Group and business unit performance relative to financial targets is monitored through monthly management reporting, Corporate Management Committee meetings and business review processes. Employee performance relative to targets is monitored in the semi-annual performance review discussions. An incentive system is in place to direct the Group at all levels towards the achievement of set targets.

The Group's Corporate Management Committee is responsible for reporting to the Board of Directors any significant deviations from the targets set and approved by the Board. The Board assesses annually whether the targets have been achieved and decides on the incentives to be paid accordingly.

Risk Assessment

Group-wide risk management is part of Citycon's annual planning and management

Citycon uses a holistic Enterprise Risk Management (ERM) programme. Risk management forms part of the company's internal control and its purpose is to ensure that the company meets its business targets. The Board of Directors has approved the company's Risk Management Policy, specifying the principles of the company's risk management and the risk management process. The company's risk management process includes recognition, assessment, measurement, limitation and monitoring of risks arising from business operations and those closely related thereto. Guidelines are in place to define the monitoring of the aforementioned processes as well as the risk management organisation.

Risk assessment of financial reporting processes identifies the risks associated with financial reporting

As part of its 2010 internal control project, Citycon has identified the processes significant to financial reporting and assessed the associated risks. In addition to the Group's Finance department, the business units' financial management participated in the risk assessment process. Citycon has eight processes significant to financial reporting: Entity Level Controls, Financial Statements Closing, Property Rental Income, Property Rental Expense, Property Investments, Treasury, Investment Property Valuation and General IT Controls process. In the risk assessment process, each process and any sub-process were given a risk index based on quantitative or qualitative factors. This helped to define controls and their allocation by business unit.

Control Activities

Citycon has defined financial planning and control as one of its main business processes. Descriptions have been drawn up of processes that are significant to financial reporting and are implemented in the organisation's daily operations. Thus, they form a material part of the daily risk management within the organisation. In the 2010 internal control project, process descriptions were sup-

plemented by defining control points in each process, based on the risk assessment conducted. Examples of control points include approvals, reconciliations of sub-ledgers and accounts, analytical reviews, limitations of access rights and segregation of duties. Control points for each process are documented in Control Catalogues, which have been customized by the business units to reflect the characteristics of their own organisations' operations. This work also included the identification of improvement areas and corrective measures, if the minimum level required by the Group's internal control was not attained.

The defined control points are designed to prevent, detect and correct material errors and deviations in financial reporting. The number of control points varies by process, from approximately 10 to 20. These control points are also included in employees' job descriptions.

Information and Communication

In financial reporting, there are accounting and reporting manuals that set the standards, processes and responsibilities for financial reporting. These manuals facilitate the achievement of Citycon objectives regarding the reliability of financial reporting. The Board of Directors approves Group level policies and any changes to them. Accounting and reporting manuals and policies are available on the company's internal intranet sites. Regular meetings are held in which the manuals are discussed with all personnel involved in the financial reporting process. All external communication is carried out in accordance with the Group communications policy. The Board of Directors approves all financial reports issued by the company.

The control points defined during the 2010 internal control project have been communicated to all Citycon personnel. Business units bore the main responsibility for this communication; they discussed the internal control project's targets and the defined control points in meetings at various organisational levels, from country-level management meetings down to group or unit meetings dealing with current topics.

Monitoring

Citycon's business unit executives are responsible for ensuring that relevant laws and regulations are adhered to in their respective areas of responsibility. The Corporate Management Committee also monitors compliance as part of regular supervisory activities. Group and business unit financial performance is monitored in monthly Corporate Management Committee meetings and business review processes.

In Citycon, monitoring of internal control includes both ongoing and separate evaluations and audits. Monthly analysis of reported figures at various levels (e.g. shopping centre, business unit, Group) aims to detect whether the reported figures deviate from budgeted or forecasted figures. The monitoring and testing of internal controls aims to detect control deviations in each significant process for financial reporting that might affect the accuracy of Citycon's financial reporting, if the deviation in question is not corrected.

During the 2010 internal control project, controls related to the main processes of the Group administration and business units were tested. These tests were carried out by assessors independent of the business units' daily operations and were steered by the Group administration. The significance and impact of deviations detected in these tests were evaluated by the Group administration, and the necessary corrective measures were initiated. Based on the resulting summary drawn up by the corporate management, there are no indications that the control deviations detected may lead to material errors in Citycon's Financial Statements.

The Audit Committee of the Board of Directors assesses and monitors the adequacy and effectiveness of internal controls and risk management. The Internal Audit function assists the Audit Committee in assessing and monitoring the adequacy and effectiveness of Citycon's internal controls and risk management, by performing regular audits in Group legal entities and support functions according to the annual plan approved by the Audit Committee. In accordance with the 2010 audit plan, the internal audit focused on the company's processes related to procurement, HR management and (re)development projects as well as shopping centre management in the Baltic Countries. Internal audit services were purchased from an external service provider, KPMG Oy Ab. The external auditor conducts evaluations of internal controls as part of their annual audit as defined by law.

The Group Finance function monitors adherence to financial reporting processes and related controls. The Finance department also monitors the accuracy of external and internal financial reporting. The external auditors audit whether the annual financial reports give a true and fair view of the financial performance and financial position of the Group and the parent company for each financial period.