

Fabege

Shades of Green assessment¹

October 20, 2023



Sector: Real estate



Region: Sweden

This report was produced by Shades of Green using Shades of Green Methodology.

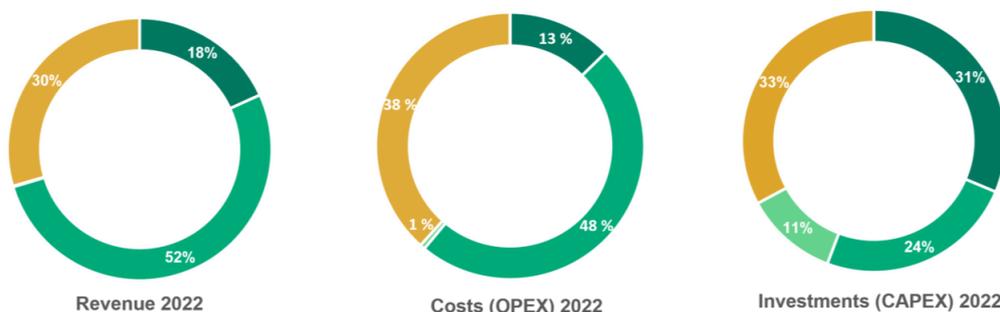
On December 1, 2022, S&P Global acquired Shades of Green from CICERO.

Executive Summary

Fabege AB (publ) (Fabege) is a Swedish real estate company focusing on urban development and letting and managing commercial premises. The business is concentrated in a small number of submarkets in the Stockholm region, these being the Inner City, Hammarby Sjöstad, Arenastaden, Haga Norra, Solna Business Park and Flemingsberg. Within these areas, Fabege owns 102 properties which stand for approximately 10% of office space in Stockholm, according to the issuer.

Shading of Fabege's 2022 revenue, operating expenses, and capital expenditures

■ Dark green
 ■ Medium green
 ■ Light green
 ■ Yellow
 ■ Red



Source: Shades of Green analysis using Fabege's financial data from 2022.

Figure 1: Shading of revenue, operating costs and capital expenditures for Fabege

In 2022, 70% of rental revenue, 62% of operating costs (opex), and 67% of investments (capex), came from properties with some Shade of Green. The Shade of Green assigned reflects the underlying property's overall climate risk and environmental impact, where we take into account if it is a new construction, a major redevelopment or an existing building. From a climate perspective, it is better to renovate existing buildings rather than build new ones, especially in the Nordic context where embodied emissions in building materials typically make up 50% of total lifecycle emissions. Fabege's focus on energy management and climate resilience at the property level mitigates transition and physical climate risks and were key considerations for shading both existing and new buildings.

Nasdaq Green Designation¹

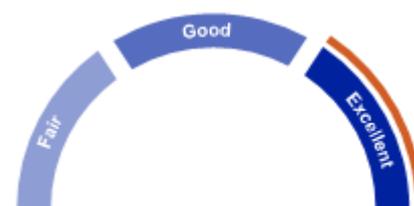
S&P Global Ratings Shades of Green assesses that Fabege meets the requirements for Nasdaq Green Equity Designation set out in the Nasdaq Green Equity Principles. The company has informed us that it intends to apply to the Designation. The awarding of the Green Designation to Fabege is subject to Nasdaq approval.

¹ Shades of Green is an approved reviewer to assess alignment with the Nasdaq Green Equity Principles, [Nasdaq.com/Solutions/Nasdaq-Nordic-Green-Designations](https://www.nasdaq.com/Solutions/Nasdaq-Nordic-Green-Designations)

The Shade of Green assigned to Fabege’s properties reflects the energy use of the building, the level of environmental certifications and the focus on sustainable materials. Dark Green is allocated to highly energy efficient existing properties with the highest levels of certifications. Further, for new construction, it is crucial to reduce embodied emissions from materials compared to the norm, and therefore new properties also need to focus on materials and the climate impact when building. Medium Green is allocated to highly energy efficient existing properties. Light Green is allocated to properties that have a high level of environmental certification, but do not qualify to be among the most energy efficient buildings compared to national building stock. Only one Light Green building was identified, and this building was close to qualify for the top 15% of national building stock. This building was shaded Light Green because of the environmental benefits associated with the certification achieved by the building. Properties that do not qualify for any of the criteria for a Shade of Green are allocated a Yellow shade.

Governance Assessment

Faberge demonstrates awareness of climate change, sustainability and environmental concerns and has taken steps to adapt its operations accordingly. It has set emission reduction targets for all three Scopes, where its Scope 3 target includes its biggest emission source, embodied emissions from construction. It has developed appropriate policies and routines that are coherent with its targets and has consequently been on track or achieved targets such as targeted energy intensity of its portfolio and achieving 100% green financing. The company is aware of the physical risks, and assessments of physical risks are done for new developments and has also been done for its management portfolio, where future climate scenarios have been used.



EU taxonomy

The relevant EU Taxonomy activities for Fabege are the Construction of new building and the Acquisition and ownership of buildings. Shades of Green assesses that 70.4% of revenue, 60.9% of OPEX and 27.1% of CAPEX are likely aligned to the Acquisition and ownership of buildings category. For the Construction of new buildings category, we have assessed that two out of four of the developments that took place in 2022 were likely aligned to the substantial contribution criteria while there are uncertainties regarding several Do-No-Significant-Harm (DNSH) criteria. Swedish trade associations are currently seeking clarity on the DNSH criteria for Transition to circular economy and Pollution prevention and control, therefore further guidance is needed before concluding on alignment. Faberge appears to be aligned to the other DNSH criteria. Shades of Green concludes that Faberge appears to fulfil the requirements of the minimum social safeguards.

Table 1: Sector specific metrics

	Energy use (kWh/m2 Atemp)	Environmentally certified (% of area)	Emissions intensity Scope 1, 2 and 3 (kg CO2e/m2)
2022	73	100	21
2021	77	100	19
2020	74	100	1.4 ²

² Emissions from projects were not included as they were not measured in 2020, causing the emission intensity in 2020 to be significantly lower than the following years.

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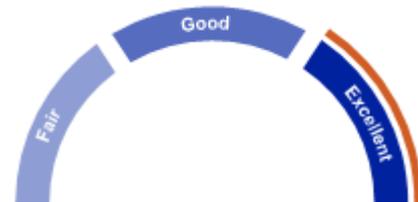
Fabege's sustainability governance

Company description

Fabege AB (publ) (Fabege) is a Swedish real estate company focusing on letting and managing commercial premises as well as on urban development. The business is concentrated in a small number of submarkets in the Stockholm region, being the Inner City, Hammarby Sjöstad, Arenastaden, Haga Norra, Solna Business Park and Flemingsberg. Within these areas, Fabege owns 102 properties which stand for approximately 10% of office space in Stockholm, according to the issuer. At the end of 2022, its property value was approximately 86.3 billion SEK and total lettable area was 1,290,000 square meters. The company has 231 employees.

Governance Assessment

Fabege demonstrates awareness of climate change, sustainability and environmental concerns and has taken steps to adapt its operations accordingly. Fabege reports on Scope 1, 2, and 3 emissions and includes relevant KPIs in its sustainability report. It has set emission reduction targets that cover all three Scopes, and its Scope 3 target includes its biggest emission source, material, and construction emissions from development projects, which we consider to be best practice.



Appropriate policies and routines have been developed, that are coherent with its sustainability targets. Historically, Fabege has consequently been on track or achieved targets such as targeted energy intensity of its portfolio and achieving 100% green financing. It is positive that Fabege sets environmental criteria for all its development projects, such as calculating life cycle emissions for all projects, certifying all new developments to BREEAM Excellent, and that all materials should be accepted by Byggvarubedömningen³.

The company is aware of the physical risks, and assessments of physical risks are done for new developments and has also been done for its management portfolio, where future climate scenarios have been used. It reports according to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

The company has established a Code of Conduct (CoC) covering both employees and suppliers. The CoC operationalises the company's guidelines and policies related to ethical business conduct, human rights and environmental sustainability. Fabege were the initiators on developing a tool with sector colleagues for reviewing the real estate sector's suppliers in Sweden, to facilitate the screening of suppliers. It is positive that Fabege works actively with its suppliers and contractors, and that it performs audits to follow up on the sustainability requirements established.

The overall assessment of Fabege's governance structure and processes gives it a rating of **Excellent**.

³ Byggvarubedömningen is a building materials assessment tool. It provides a common criterion and an evaluation standard based on seven factors including chemical content, raw materials used, and indoor environment. In the online database, products have a final score and a product card containing the declaration of contents and the evolution outcome.

Key strategies, policies, and targets

Fabege's approach to sustainability is based on its Code of Conduct, which in turn is based on the ten principles of the UN Global Compact on the environment, human rights and anti-corruption, as well as the 17 UN Sustainable Development Goals. In 2019, Fabege received the top Global Real Estate Sustainability Benchmark (GRESB) score⁴, as they ranked highest in the office category, Northern Europe.

Fabege's main climate related targets, partly validated by the Science Based Targets initiative (SBTi)⁵, are the following:

- Carbon neutral property management (Scopes 1 & 2) and cutting indirect emissions (Scope 3) by half by 2030. Scope 3 carbon footprint per ground floor area (GFA) shall be reduced by 20% in 2025 compared with 2019 measured through life cycle analysis.
- 100% environmentally certified property portfolio. 100% of new builds to be BREEAM-SE certified with ambition level Excellent. By end of 2022, a total of 65 properties covering 1,080,492 m² were environmentally certified representing 2/3 of the total portfolio by numbers.
- Energy performance 35 kWh/m² Atemp for new construction and 70 kWh/m² Atemp on average for the entire investment property portfolio by 2025. In 2022, the average was 72.8kWh/m².
- 100% green financing via green bonds and loans. The target of 100% green financing was achieved before year-end 2020/21⁶.

Further, Fabege has a strategy to increase the share of solar PV systems at its properties. Fabege's policy is to invest in solar roof top installations on its buildings and through this, to produce a minimum 320MWh in new and existing properties yearly. By 2030, the target is to produce 2.5 kWh/m² Atemp per year (in 2022, it was 1.5kWh/m²)

Governance structure

The Board of Directors bears overall responsibility for the sustainability strategy and following up Fabege's work on sustainability. The Board has appointed a Board member with specific responsibility for sustainability issues. The CEO and the Executive Management Team have the overall responsibility for implementation of the sustainability strategy. Overall objectives are approved by the Executive Management Team and established at Board level.

The Head of Sustainability coordinates and oversees sustainability issues at Fabege and provides regular reports to the Executive Management Team and reports annually to the Board of Directors. The company operates a profit-sharing program that extends coverage to all its employees. This program distributes allocations in the form of the company's shares, with the allocation criteria including various predetermined targets. One of these targets is associated with GRESB scores, which relates to ESG metrics.

Supply chain

All suppliers are requested to comply with the UN Global Compact's ten principles on human rights, labour, environment and anti-corruption. The purchasing organisation is responsible for signing all framework and

⁴ GRESB is the global ESG benchmark for financial markets, composed of an independent foundation and a benefit corporation

⁵ Fabege's emission target was approved using a streamlined target validation route exclusive to small and medium-sized enterprises (SMEs). <https://sciencebasedtargets.org/faqs-for-smes/>

⁶ However, it declined to 99% at year-end 2021 due to the acquisition of SHH Bostad, whose loans were not classified as green. These loans were converted and Fabege had 100% green loans once again by end 2022.

service contracts and ensuring that new contracts adhere to the general terms and conditions, environmental policy and Code of Conduct.

In recent years Fabege has tightened its Code of Conduct for Suppliers in the following areas: the environment, business ethics, health and safety, working conditions, privacy, human rights, and compliance and follow-up. Fabege encourages its suppliers to check their subcontractors' compliance with Fabege's requirements to ensure compliance throughout the supply chain. Audits are carried out regularly. Fabege has as an objective that 100% of framework agreement suppliers shall be audited for sustainability.

Fabège informs us that it has worked with sector colleagues to develop a digital tool for reviewing the property sector's supplier categories. The aim is to avoid duplication for suppliers by making sure they are not required to answer similar questions in connection with procurements from different property companies, and to enable more suppliers to be audited. According to Fabège, this will allow the industry to set a common standard. Fabège was the initiator of the project, in which six property companies with large office property portfolios in the Stockholm region have agreed to develop common supplier requirements for sustainability. Further, Fabège normally complements the initial common screening with its own screening requirements.

Contractors for larger projects (over SEK 50m) must always undergo a sustainability audit prior to the start of the production phase. Fabège carries out enhanced background checks on suppliers for those categories where it is deemed necessary following a risk assessment. Such checks are carried out before the contract is signed. Any deficiencies identified through audits will lead to the companies concerned drawing up an action plan for subsequent implementation. If there is no improvement, Fabège may discontinue the relationship.

In 2022, Fabège performed construction site visits to selected projects with its framework agreement contractors. During these site visits, Fabège followed up on the sustainability requirements established as part of framework agreements. The main purpose of the site visits was to increase the exchange of knowledge between the Sustainable Development Department, the Projects Department and framework contractors.

Environmental risk management

Overall responsibility for Fabège's risk management rests with the Board of Directors, while operative work has been delegated to the CEO and management. According to Fabège, risk management is integrated into day-to-day operations and firmly established in Fabège's various processes.

Fabège's assessment of climate risks mostly follows the guidelines of TCFD, e.g., when it comes to the use of scenario analyses. According to Fabège, green financing is a natural extension of the sustainability efforts that are conducted throughout the organisation. As it targets 100% green financing, the selection and evaluation process required by the Green Bond Principles is an integrated part of decision-making processes. In the selection process Fabège reviews information about assets and evaluate the overall environmental impact, which includes life cycle considerations in order to minimise the carbon footprint of projects, potential rebound effects, resilience considerations and adherence to at least one of the environmental objectives of the EU Taxonomy. The projects and assets must also be compliant with applicable national laws and regulations, as well as policies and guidelines at Fabège.

Reporting

Fabège reports annually on sustainability issues in accordance with the European Public Real Estate Association (EPRA) standard and the Global Reporting Initiative (GRI). The reporting is extensive and includes its long-term goals and commitments and impact reporting. The impact reporting includes its energy consumption, emissions (Scope 1,2, and 3), water use, waste, and the number of sustainability-certified buildings in its portfolio. It reports

on physical climate risks as well as transition risks according to the Task Force on Climate-related Finance Disclosures (TCFD) recommendations.

Social risk awareness

Fabege shows deep awareness of social risks in and linked to their operations. The company states that they have made a double materiality assessment which also covers human rights.

The company has codes to express their commitments in the social area, however the international instruments that the minimum safeguards are based on, are not explicitly referred to. It has a code of conduct for their employees which emphasises that everyone should work for a good work environment, equality and diversity, and fight unfair labour practises. It also provides an encrypted whistle-blowing service for employees and external stakeholders. The code of conduct for suppliers has firm requirements concerning contracts, leave, wages, working conditions, training, and the right to organise. It also expresses that child labour and forced labour is strictly forbidden.

Fabege has a particular focus on their suppliers' sub-suppliers which they see as a group that requires particular attention and it always conduct pre-screening of potential suppliers. Working conditions are a challenge because of the high level of organised crime in this sector in Sweden. Instead of only expressing requirements in contracts, they exercise direct control through agreements which allow for follow-up measures such as on-site visits. Security risks however force them to do such visits together with third-parties skilled to handle security risks. The company's level of awareness and measures taken should be considered a strength.

Fabege has mapped and identified high-risk sectors, and found that also the sourcing of raw materials can sometimes represent high risks. They apply the platform Byggvarebedomningen which is still under development but which includes social aspects. Assessments of the effectiveness of the company's different measures are made through the use of questionnaires and of results gathered through visits.

Regarding their own employees, the company describes that by continuously identifying risks, following up on incidents and implementing measures, the health and safety of their employees is improved. Their starting point for a safe workplace is that they continuously work with their systematic work environment management, which includes risk assessments based on studies carried out, such as: safety inspections, deviations and performance appraisals.

The assessments of measures are evaluated and prioritised, and action plans are made on how the risks are to be managed. The company has routines and training on safety in risky operations such as work at heights and other activities where recommended protective equipment must be used. Temporary workers go under the same premises as their technicians.

Sector risk exposure

Physical climate risks. In a Nordic context, climate risks such as increased flooding, urban overflow, increased storms and extreme weather are expected to increase. The location of the buildings in a portfolio can affect the attractiveness and value of individual buildings as property damage and operational costs increase as a result of climate change. Further, events of heat stress and extreme heat can continue to increase, creating further cooling needs for buildings, consequently increasing operational costs.

Transition risks. Due to the profound changes needed to limit global warming to well below 2°C, transition risk affects all sectors. Companies like Faberge are exposed to transition risks from stricter climate policies such as introducing new energy efficiency requirements for both new and existing buildings. In a Nordic context, regulations are expected to develop to include limit values for the global warming potential (GWP) of development projects, making it mandatory to also address the embodied emissions of buildings for construction projects. Companies like Faberge may be affected by shifting market preferences as a result of higher awareness of climate change, which can result in shifting preferences towards zero carbon buildings.

Environmental risks. The construction sector is at risk of polluting the local environment during the construction of the properties, e.g., from poor waste handling. There are also risks related to impacts on local biodiversity/habitats as well as the use of unsustainably sourced material like tropical wood.

Social risks. Social risks in the construction sector are primarily about health and safety for workers involved in the actual construction work - in this case in management, refurbishment, and development of buildings. Risks related to working conditions for temporary workers and those working for subcontractors should also be emphasised. There are also social risks linked to sourcing of materials and equipment, as well as potential negative effects on the local community.

Assessment of Fabege’s activities

Key issues and metrics

GHG Emissions

Fabège reports greenhouse gas emissions in accordance with the GHG Protocol, market-based method, and the company has statistics from 2002 onwards. Total emissions in 2022 (with 2021 in parenthesis), including market-based Scope 2 emissions, were 30,716 tons CO₂e (28,587 tons CO₂e). Scope 2 emissions increased by 23% (market-based), despite the fact that total energy use decreased in 2022. According to Fabège’s annual report, the increase is caused by the fact that its district heating supplier has increased its emissions by 30%. Specific emissions (Scope 1 and 2) in 2022 were 1.3kgCO₂e/m² (1.1 kg CO₂e /m²). The company targets having net-zero carbon management (Scope 1 and 2 by 2030). Since 2002, Fabège has reduced its total Scope 1 and 2 emissions with 95%.

Table 2: The table summarises GHG-emissions and main emission reduction targets.

	Total (tons CO ₂ e ⁷)	Scope 1 emissions	Scope 2 emissions (market-based)	Scope 3 emissions
Main targets		Climate neutral property management (zero Scope 1 + 2 emissions) by 2030		By 2025, 25% emission reduction per square meter built (Scope 3) compared to 2019. By 2030, 50% emission reduction per square meter built (Scope 3) compared to 2019.
2022	30,716	54	1,866	28,796
2021	28,607	98	1,512	26,997
Change 2022- 2021	+7%	-45%	+23%	+7%
Main Sources		Refrigerants, owned and leased vehicles	District heating, district cooling, electricity	Building materials and fuel/energy use to and from construction sites and properties, waste management, tenant energy, transport

⁷ CO₂e, carbon dioxide equivalent is a measurement term for greenhouse gas accounting.

Fabege has set a strategy and implemented procedures to reduce its biggest emission source, the construction of new properties. In 2022, Fabege established guidelines on how to calculate the climate footprint⁸ of its construction projects. The guidelines go beyond the legal requirements and includes a life cycle assessment⁹. The ambition is to use this data to be able to compare and analyse the results and work to reduce the CO₂e footprint to reach the company's targets for 2025 and 2030 compared to a 2019 baseline¹⁰.

Waste handling and circular economy

In 2022, total reported waste was 2,742 tons of non-hazardous waste and 42 tons of hazardous waste. According to its sustainability report, approximately 47% was recycled, 53% was incinerated, and less than 0.3% was landfilled. Some of the recycled waste is sent to energy recovery. Most of Fabege's waste arise with its construction projects, tenant adaptations, tenant waste and the waste it generates itself in its operations. Construction waste from its projects is handled by the respective contractor. For properties that are BREEAM certified, special rules for recycling also apply and waste management must be managed. It encourages its tenants to sort their waste into at least five fractions. To ensure that environmentally safe materials are used, Fabege targets that 100 percent of its building materials follow the requirements set out in Byggarbedömningen¹¹. Currently, it is at approximately 90%.

In Fabege's strategy, it plans to scale up the work with circularity and has adopted a circularity index target for major refurbishments of 20%. The circularity index represents how much of purchased materials comes from recycled and reused materials. The strategy includes goals for recycling as well as routines and methods on how to achieve the goal. To be able to facilitate and make use of reused materials, Fabege participates in multiple partnerships and initiatives. How materials can be dismantled, reused and recycled are starting to take part in Fabege's development projects, and it has established a recycling hub which helps it store and recondition recycled and recovered materials.

Energy

In 2022 (with 2021 figures in parenthesis), total landlord¹² energy use was 121,457 MWh (121,561 MWh), corresponding to a measured energy intensity of 72,8kWh/m² (77,4 kWh/m²). In 2019, Fabege had halved its energy use compared to 2005. Following this achievement, it aimed to reach an average energy use of 77kWh/m² Atemp. In 2022, Fabege surpassed the target and therefore set a new target for the average energy use of its portfolio to reach 70kWh/m² by 2025. The target includes landlord energy and considers measured energy.

Fabege has developed an energy strategy to take a comprehensive approach to the energy optimisation of its properties. The strategy consists of strict requirements when purchasing energy and monitoring and analysing energy use to optimise energy management. Fabege monitors and analyses energy usage hourly to identify any deviations in energy performance and power output early and adjusts its planned actions accordingly. Energy efficiency measures are identified on a rolling basis for its entire portfolio. The measures identified are of a wide

⁸ Fabege has used guidance from the EU taxonomy to define the scope of its climate footprint calculation. It is using life cycle stages A1-5 and B7 + C (where C=0).

⁹ Guidelines are set according to the EU Taxonomy

¹⁰ The 2019 baseline is set to 440 kg CO₂e/m². When calculating the baseline, data were based on typical values and Fabege did not use Boverkets conservative emissions data. Fabege therefore do not expect instant carbon savings when real EPDs are used.

¹¹ Byggarbedömningen is a building materials assessment tool. It provides a common criterion and an evaluation standard based on seven factors including chemical content, raw materials used, and indoor environment. In the online database, products have a final score and a product card containing the declaration of contents and the evolution outcome.

¹² Landlord energy use include electricity use for common areas, heating, and cooling

range, for example optimisation in BMS systems, improved cooling recovery, improved heat recovery and building envelope measures. Fabege work with its tenants to reduce their energy use, for example by collaborations anchored by green leases. The goal is for green leases to represent 100% of its total rental area, where it in 2022 was 89%.

As the energy market was exposed to major challenges in 2022, resulting in increased prices, Fabege further prioritised energy efficiency measures in 2022. This focus led to a 11% reduction in electricity use for the like-for-like portfolio in the last quarter of 2022 compared to the same time in 2021.

Table 3: The table summarises energy mix by energy source

Energy source	Percent of total	Comments
Electricity	27%	Landlord electricity, 100% from renewable sources
District heating and cooling	73%	

Climate Resilience

In 2021 and 2022, Fabege carried out climate risk analysis on its management portfolio, excluding properties that will undergo renovation or leave the portfolio, in the districts of Arenastaden, Solna Business Park and City. The analysis identified increased precipitation and flooding as one of the greatest potential future risks. In property management and ongoing and future redevelopments, Fabege states that the necessary measures are taken to address identified climate risks. Since 2019, Fabege has worked on scenario analyses together with the Stockholm Environment Institute, municipalities and business partners, in order to future-proof operations. Fabege's risks and opportunities have been analysed based on four future scenarios.

Building certifications

In 2022, Fabege set a target to achieve the certification level BREEAM-SE Excellent for all new construction projects. All buildings completed since 2015 has a design-phase certifications.

Table 3: The table summarises the certifications used in Fabege's portfolio

Certification	Total	Percent certified
BREEAM In-Use	49	68%
BREEAM-SE	13	30%
BREEAM Bespoke	2	1%
Miljöbyggnad	1	1%

Table 4: Shades of Green assessment of Fabege’s management of key environmental issues

Key issue	Shades of Green comments
GHG emissions	<ul style="list-style-type: none"> ✓ It is a strength that Fabege is transparent in emission reporting and has set quantified short term emission reduction targets that covers all three Scopes. ✓ It is challenging to compare Fabege’s current emissions to sector peers as reporting on Scope 3 emissions and life cycle emissions for new construction projects is not currently uniform. Comparability is expected to improve as companies move towards more standardized calculations and methodologies. ✓ When comparing emission reduction targets to other Swedish real estate companies¹³, current information suggests that Fabege may be similar in ambition to most of its peers, while lack some ambition compared to some, who have set more ambitious Scope 3 reduction targets. ✓ The CRREM 1.5-degree decarbonization pathway for office buildings in Sweden¹⁴ indicates that building emissions intensity (Scope 1 and 2, as well as Scope 3 from embodied emissions in retrofits) declines 41% from 2019-2030. In this respect, Fabege’s Scope 1+2 target may align with a 1.5-degree pathway. ✓ The target to reduce emissions per square meter-built facilitates addresses Fabege’s biggest emissions source (scope 3). ✓ The Science Based Targets initiative has developed a 1.5-degree pathway for the global buildings sector’s embodied emissions¹⁵. The pathway portrays the need for a steep reduction in embodied emissions in construction projects, ranging between 59% and 63% by 2030 compared to 2019, where it estimates the emission intensity to be 598kgCO₂e/m² in 2025, and 339.7 CO₂e/ m² in 2030¹⁶. As Fabege’s baseline value and scope differs from the pathway, a direct comparison is not possible. However, as Fabege’s baseline (440 CO₂e/m²) includes a wider scope then the pathway, Fabege may align with a 1.5-degree pathway even if it is not targeting as steep of a reduction. ✓ It is positive that Fabege is using life cycle analysis, and that the scope of the analysis goes beyond what is required by Swedish regulation.
Waste handling and circular economy	<p>✓ Sweden has maintained a low landfilling rate, consistently below 1%, over the past five years. This trend is expected to persist due to the country’s substantial incineration capacity. In fact, Sweden heavily depends on waste incineration, which constituted approximately 53% of municipal waste treatment from 2016 to 2019. Fabege’s sorting rate is in line with national averages.</p>

¹³ Sector peers include Atrium Ljungberg, Balder, Castellum, Stendörren, Humlegården and Vasakronan.

¹⁴ 6 Version 1 of the CRREM pathways has been used instead of the newer version 2 as the latter does not cater for Fabege’s 2019 baseline. See: [CRREM-downscaling-documentation-and-assessment-methodology_Update-V2_V1.0-11-01-23.pdf](#) for a discussion of the differences.

¹⁵ [\[SBTi Format\] 11052023 DRAFT_SBTi_Embodied carbon pathway development description.docx \(sciencebasedtargets.org\)](#)

¹⁶ The study looks at different pathways, the numbers presented here are based on the grandfathering downscaling approach. To read more about the different pathways, see: [\[SBTi Format\] 11052023 DRAFT_SBTi_Embodied carbon pathway development description.docx \(sciencebasedtargets.org\)](#)

- ✓ District heating systems that rely on waste incineration often have high emissions, mainly due to the presence of fossil components. Therefore, the implementation of robust waste sorting policies before incineration becomes crucial to minimize the inclusion of fossil elements. While Fabège has policies in place for sorting and offers waste sorting options, the waste sent for incineration still carries the potential for significant emissions.
- ✓ Sweden has set a target that 55% of municipal waste should be prepared for reuse and recycling by 2025. In 2022, Fabège reported that 47% was sent to recycling, therefore currently falls short of meeting this target.
- ✓ For the low carbon transition, it is essential that the real estate sector starts to reuse and recycle more. Therefore, it is positive that Fabège has set quantified targets on circularity for development projects.

Energy

- ✓ Having an energy intensity target for the total portfolio facilities achieving its climate reduction target to have a climate neutral management by 2030. This is because reducing energy use will help to reduce emissions from the generation of electricity and heat.
- ✓ Its energy intensity target only includes landlord energy use. While it is positive that Fabège actively work with its tenant to reduce tenant energy use, we encourage Fabège to set an energy target also including tenant energy. However, our concern is somewhat mitigated by the company having a Scope 3 target which includes tenant energy. As Fabège does not have total energy data for its tenants, it has included a flat rate energy consumption of 45kWh/m² to represent tenant energy use.
- ✓ Fabège has historically demonstrated a continuous decrease in energy use, and has thereafter strengthened the ambition of its energy reduction targets, most recently in 2022. This is a strength.
- ✓ When comparing to sector peers¹⁷, most have structured energy targets differently and communicate a percentage reduction target instead of having a targeted energy intensity. When comparing to such targets, Fabège appears to be more ambitious than peers, with the caveat that comparability may be limited depending on whether tenant energy use is included in these targets or not, which affects baseline calculations and could increase the challenge of achieving the targets. Comparability is also limited as some peers have portfolios focused on different property types to Fabège including industrial uses, warehouses, and residential, which will have different energy use profiles.
- ✓ The CRREM 1.5-degree decarbonization pathway for office buildings in Sweden¹⁸ indicates that building energy use per square metre declines by 37.6% from 2019- 2026. Fabège reported an energy use of 81kWh/m² in 2019, therefore its target to reach 70kWh/m² by 2025 represents a 13.6% reduction compared to 2019. As Fabège's baseline value differs from the pathway, a comparison is not possible as Fabège excludes tenant electricity. It should also be noted that Fabège already has had a focus on energy reductions and achieved a 50% reduction between 2005 and 2019.

Climate Resilience

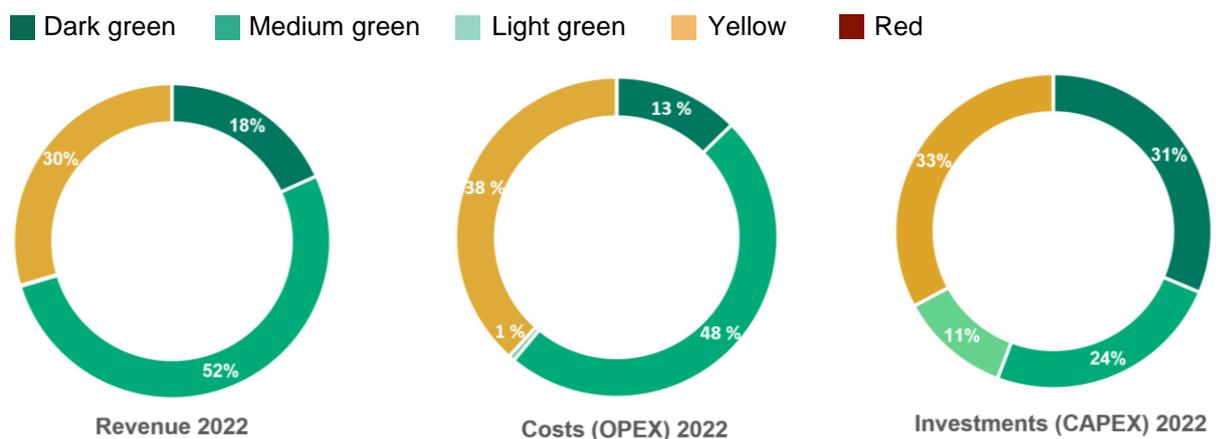
- ✓ Fabège has a solid risk analysis process that captures the most material physical risks it has identified for its operations.
- ✓ It is a strength that the IPCC scenarios are included in the company's risk analysis procedure, as it enhances the possibility that its portfolio will be more resilient to future climate change.

¹⁷ Sector peers include Atrium Ljungberg, Balder, Castellum, Stendörren, Humlegården and Vasakronan.

¹⁸ 6 Version 1 of the CRREM pathways has been used instead of the newer version 2 as the latter does not cater for Fabège's 2019 baseline. See: [CRREM-downscaling-documentation-and-assessment-methodology_Update-V2_V1.0-11-01-23.pdf](#) for a discussion of the differences.

Building certifications	<ul style="list-style-type: none"> ✓ For future developments, Fabège aims to achieve BREEAM “Excellent” for all new construction projects. While certification standards cover a broad set of issues that are important to sustainable development, they differ considerably in their requirements for energy efficiency, embodied emissions of construction materials, transportation emissions, and resiliency. ✓ An in-use certification can be a robust way of ensuring that the management of assets enables continued improved energy performance, however they seldom include specific energy efficiency criteria, and the point-based system does not guarantee a low-carbon building ✓ While there are some areas to watch when using environmental certification, targeting sustainability certifications shows that the company has a focus on environmental issues, and used correctly they can be used as tools to lower a building’s carbon footprint and energy use.
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Shading of Fabège’s revenue, operating expenses and capital expenditures



Source: Shades of Green analysis using Fabège’s financial data from 2022.

Figure 1: Shading of revenue, operating costs and capital expenditures for Fabège

The Shade of Green assigned to a property reflects its overall climate risk and environmental impact. We have assessed and allocated a Shade of Green to each property in the portfolio. The assessment has been positively influenced by our assessment of Fabège’s Governance Score of Excellent and the company’s sustainability strategy.

From a climate perspective, it is better to renovate existing buildings rather than build new, especially in the Nordic context where embodied emissions in building materials typically make up for 50% of total lifecycle emissions. Therefore, to qualify as green for newer buildings, the requirements for energy efficiency are higher than for existing buildings. For new buildings, we also assess material choices and how embodied emissions linked to the project are considered. Further, Fabège’s focus on energy management and climate resilience on a property level mitigates some potential risks regarding transition and physical climate risks, which has influenced the shading of both existing and new buildings.

Dark Green is allocated to energy efficient properties with the highest levels of certifications. For new construction, it is crucial to reduce embodied emissions from materials compared to the norm, and therefore new properties also need to focus on materials. Properties that qualify for Dark Green are:

- Existing properties that have an EPC of A and a high level of certifications such as BREEAM-SE “Excellent”
- New properties that are expected to have an EPC of A. They also have the highest level of certification, solar panels and are using low impact materials.

Medium Green is allocated to energy efficient existing properties. Properties that qualify for a Medium Green shading are existing properties within the top 15% of similar stock.

Light Green is allocated to transition activities. Properties that qualify for Light Green are:

- Existing properties that have a design-phase certification with a high level, where there is no EPC-label. One building has been allocated a Light Green Shading.
- New buildings that are better than national regulation in terms of energy use, where considerations to embodied emissions are limited.

Yellow is allocated for properties that do not fulfil any of the criteria above.

No assets in Fabège’s portfolio have been shaded **Red**, the shade allocated to projects and solutions that have no role to play in a low-carbon and climate resilient future. These are the heaviest emitting assets, with the most potential for lock in of emissions and is generally not applicable to Nordic real estate.

With these provisions, we find that for 2022, 18% of rental revenue came from assets considered Dark Green, 52% from assets shaded Medium Green, 0% from assets shaded Light Green, and 30% from non-green assets shaded Yellow. Thus, 70% of the rental revenue came from assets with some Shade of Green.

Operating costs in 2022 were 13% Dark Green, 48% Medium Green, 1% Light Green and 38% was shaded Yellow. Thus, 62% of operating costs were associated with some Shade of Green.

Investments in 2022 were 31% Dark Green, 24% Medium Green, 11% Light Green and 33% was shaded Yellow.

Investors should note that our assessment is based on data reported or estimated by the company and has not always been verified by a third party. We analyse revenue, operating costs and capital expenditures, however there is typically not an explicit link between sustainability and financial data. Our shading often requires allocating line items in financial statements to projects or products, for this we rely on the company’s internal allocation methods. In addition, there are numerous ways to estimate, measure, verify and report e.g. data on emissions, which may make direct comparisons between companies or regulatory criteria difficult and somewhat uncertain.

EU Taxonomy

The mitigation criteria in the EU taxonomy includes specific thresholds and do no significant harm (DNSH) criteria construction of new buildings, as well as acquisition and ownership of existing buildings¹⁹. Comments on alignment are given in the table below, and detailed thresholds, NACE-codes and likely alignment with DNSH criteria are given in Appendix 2.

Table 5: Overall EU Taxonomy alignment

Overall EU Taxonomy alignment (Substantial contribution + DNSH + minimum safeguards)	Revenue	OPEX	CAPEX
Total share eligible (activities covered by criteria)	100%	100%	100%
Total share likely aligned to all criteria	70.4%	60.9%	27.1%

Alignment with minimum social safeguards

To qualify as a sustainable activity under the EU regulation, certain minimum safeguards must be complied with. Shades of Green has assessed the company's social safeguards with a focus on human and labour rights. We take the sectoral, regional and judicial context into account and, based on information provided by the company, focus on the risks likely to be the most material social risks. Shades of Green concludes that Fabege appears to fulfil the requirements of the minimum social safeguards.

Table 6: Summary of alignment to 7.1 Construction of new buildings (NACE Code F41.1, F41.2)

Eligibility	2022 share
Activities covered	✓ 0% Revenue, 0% OPEX, 38.8% CAPEX
Alignment	2022 share
Activities aligned	✓ 0% Revenue, 0% OPEX, 0% CAPEX
Substantial contribution	Summary of assessment
Mitigation Criteria	<ul style="list-style-type: none"> ✓ Fabege has provided information about four new building construction projects, where two of the properties are likely aligned with the substantial contribution criteria. ✓ 28.6% of CAPEX is likely aligned with the substantial contribution criteria. ✓ We find it reasonable to use the current building code (BBR29) to define Near Zero Energy Buildings (NZEB) in Sweden. We assess that all of the properties are likely 10% better than NZEB. ✓ Fabege has confirmed that all its developments undergo testing for air-tightness and thermal integrity. ✓ All four buildings are over 5000m². The Global Warming Potential (GWP) of two of the properties will be calculated, while it is not planned calculated for the other two. These two properties are likely not aligned with the substantial contribution criterion.
DNSH-criteria	Summary of assessment

¹⁹ [taxonomy-regulation-delegated-act-2021-2800-annex-1_en.pdf \(europa.eu\)](https://eur-lex.europa.eu/eli/reg/2021/2800/annex-1_en.pdf)

Climate Change Adaptation	✓ Likely aligned
Sustainable use and protection of water and marine resources	✓ Likely aligned
Transition to a circular economy (circular economy)	✓ Likely not aligned with 70% threshold. ✓ Not possible to conclude on other circularity criteria due to uncertainty about interpretation of taxonomy thresholds
Pollution prevention and control	✓ Not possible to conclude on other circularity criteria due to uncertainty about interpretation of taxonomy thresholds
Protection and restoration of biodiversity and ecosystems	✓ Likely aligned

Table 7: Summary of alignment to 7.7 Acquisition and ownership of buildings (NACE Code L68)

Eligibility	2022 share
Activities covered	✓ 100% Revenue, 100% OPEX, 61.2% CAPEX
Alignment	2022 share
Activities aligned	✓ 70.4% Revenue, 60.9% OPEX, 27.1% CAPEX
Substantial contribution	Summary of assessment
Mitigation Criteria	<ul style="list-style-type: none"> ✓ 70.4% of revenue, 60.9% of OPEX, and 27.1% of CAPEX are likely aligned to the mitigation criteria. ✓ In December 2022, Fastighetsägarna published an updated report defining the top 15% of the national building stock in Sweden. This report was used in the assessment to define the top 15% in Sweden. ✓ For buildings built after 31 December 2020, the properties must meet the substantial mitigating criteria set by the activity 7.1 New construction. We find it reasonable to use the current building code (BBR29) to define Near Zero Energy Buildings (NZE) in Sweden. ✓ Fabege has energy monitoring in place for all buildings, and works with its buildings to improve energy efficiency. Fabege is therefore likely aligned with the criteria stating that buildings should be efficiently operated through energy performance monitoring and assessment.
DNSH-criteria	Summary of assessment
Climate Change Adaptation	✓ Likely aligned

Nasdaq Green Designation

Shades of Green confirms that Fabège meets the requirements for Nasdaq Green Equity Designation set out in the Nasdaq Green Equity Principles.

In 2022, 70% of Fabège's turnover came from assets with some Shade of Green, exceeding the 50% threshold for green activities for company turnover. The sum of OPEX and CAPEX allocated a Shade of Green is 67%. This exceeds the 50 % threshold for investments, defined as the sum of CAPEX and OPEX. In 2022, Fabège had no turnover assessed shaded Red, meeting the threshold of less than 5% of the company's turnover being derived from fossil fuel activities.

In addition, this report provides transparency on alignment of the company's activities with the EU Taxonomy and transparency on the company's environmental targets and KPIs is provided.

Investors should note that the statements above are the results of Shades of Green's assessment. The awarding of the Green Designation to Fabège is subject to Nasdaq approval.

Terms and methodology

The aim of this analysis is to be a practical tool for investors, lenders and public authorities for understanding climate risk. Shades of Green encourages the client to make this assessment publicly available. If any part of the assessment is quoted, the full report must be made available. Our assessment, including on governance, is relevant for the reporting year covered by the analysis. This assessment is based on a review of documentation of the client’s policies and processes, as well as information provided to us by the client during meetings, teleconferences and email correspondence. In our review we have relied on the correctness and completeness of the information made available to us by the company.

Shading corporate revenue and investments

Our view is that the green transformation must be financially sustainable to be lasting at the corporate level. We have therefore shaded the company’s current revenue generating activities, as well as investments and operating expenses.

The approach is an adaptation of the Shades of Green methodology for the green bond market. The Shade of Green allocated to a green bond framework reflects how aligned the likely implementation of the framework is to a low carbon and climate resilient future, and we have rated investments and revenue streams in this assessment similarly. We allocate a shade of green to the revenue stream and investments according to how these streams reflect alignment of the underlying activities to a low carbon and climate resilient future and taking into account governance issues.

Shading		Examples
	Dark green Is allocated to projects and solutions that corresponds to the long-term vision of a low-carbon and climate resilient future.	 Solar power plants
	Medium green Is allocated to projects and solutions that represent significant steps towards the long-term vision but are not quite there yet.	 Energy efficient buildings
	Light green Is allocated to transition activities that do not lock in emissions. These projects reduce emissions or have other environmental benefits in the near term rather than representing low carbon and climate resilient long-term solutions.	 Hybrid road vehicles
	Yellow Is allocated to projects and solutions that do not explicitly contribute to the transition to a low carbon and climate resilient future. This category also includes activities with too little information to assess.	 Health care services
	Red Is allocated to projects and solutions that have no role to play in a low-carbon and climate resilient future. There are the heaviest emitting assets, with the most potential for lock in of emissions and highest risk of stranded assets.	 New oil exploration

In addition to shading from dark green to red, Shades of Green also includes a governance score to show the robustness of the environmental governance structure. When assessing the governance of the company, Shades of Green looks at five elements: 1) strategy, policies and governance structure; 2) lifecycle considerations including supply chain policies and environmental considerations towards customers; 3) the integration of

climate considerations into their business and the handling of resilience issues; 4) the awareness of social risks and the management of these; and 5) reporting. Based on these aspects, an overall grading is given on governance strength falling into one of three classes: Fair, Good or Excellent. Please note this is not a substitute for a full evaluation of the governance of the issuing institution, and does not cover, e.g., corruption.

In March 2020, a technical expert group (TEG) proposed an EU taxonomy for sustainable finance that included a number of principles including “do-no-significant-harm (DNSH)-criteria” and safety thresholds for various types of activities²⁰. In April 2021, EU published its delegated act to outline proposed criteria for climate mitigation and adaptation, which it was tasked to develop after the EU Taxonomy Regulation entered into law in July 2020. Shades of Green has assessed the mitigation criteria in the EU taxonomy that includes specific thresholds for activities relevant for the company²¹.

Do-No-Significant-Harm criteria include measures such as ensuring resistance and resilience to extreme weather events, preventing excessive water consumption from inefficient water appliances, ensuring recycling and reuse of construction and demolition waste and limiting pollution and chemical contamination of the local environment, as well as restriction on the type of land used for construction (no arable or forested land).

Shades of Green has assessed potential alignment against the mitigation thresholds and the DNSH criteria in the delegated acts published in April 2021.

In order to qualify as a sustainable activity under the EU regulation 2020/852 certain minimum safeguards must be complied with. The safeguards entail alignment with the OECD Guidelines for Multinational Enterprises and UN Guiding Principles on Business and Human Rights, including the International Labour Organisation’s (‘ILO’) declaration on Fundamental Rights and Principles at Work, the eight ILO core conventions and the International Bill of Human Rights. Shades of Green has completed a light touch assessment of the above social safeguards with a focus on human rights and labor rights risks²². We take the sectoral, regional and judicial context into account and focus on the risks likely to be the most material social risk.

Our assessment of alignment against the EU Taxonomy is based on a desk review of the listed source documents against the Taxonomy Delegate Act and following our own shading methodology.

²⁰ Taxonomy: Final report of the Technical Expert Group on Sustainable Finance, March 2020. [TEG final report on the EU taxonomy \(europa.eu\)](#)

²¹ [taxonomy-regulation-delegated-act-2021-2800-annex-1_en.pdf \(europa.eu\)](#)

²² S&P Global Ratings Shades of Green is in the process of further developing its assessment method to ensure that it encompasses the object and purpose of the minimum safeguards.

Appendix 1: Referenced documents list

Document Number	Document Name	Description
1	fabege_sustainability_report_2021 Fabege's Sustainability report 2021	fabege_sustainability_report_2021 Fabege's Sustainability report 2021
2	Fabege's Annual and Sustainability report 2022	Fabege's Annual and Sustainability report 2022
3	Fabege's Code of conduct	
4	Fabege's Procurement and purchasing policy	
5	Fabege's Environmental policy	
6	Analys av Primarenergital for de 15% basta byggnaderna i Sverige	Fastighetsägarna has made a report to determine the top 15% building stock in Sweden. Fastighetsägarna is a Swedish trade association for real estate companies.
7	Real estate data collection sheet 2022	Data collection sheet filled out by Fabege with data on single properties
8	Riktlinje Materialval nyproduktion och stor ombyggnad, V.1.0, 2022-12-12	Fabege's policy on how to consider material choices for new construction projects
9	Återbruksstrategi Fabege	Fabege's circularity strategy explaining strategy and procedures on how to include more circularity in its operations
10	LE6 Sustainability targets 2020-2030	Fabege's sustainability targets 2020-2030

Appendix 2: EU Taxonomy criteria and alignment

Complete details of the EU taxonomy criteria are given in [taxonomy-regulation-delegated-act-2021-2800-annex-1 en.pdf \(europa.eu\)](https://eur-lex.europa.eu/eli/reg/2021/2800/annex_1)

7.1 Construction of new buildings

Framework activity	Green buildings		
Taxonomy activity	7.1 Construction of new buildings (NACE Code F41.1, F41.2)		
	EU Technical mitigation criteria	Comments on alignment	Alignment
Mitigation criteria	<ul style="list-style-type: none"> Substantial contribution to climate change mitigation <p>Constructions of new building, eligible if:</p> <ul style="list-style-type: none"> The Primary Energy Demand is at least 10 % lower than the threshold set for the nearly zero-energy building (NZEB) requirements in national regulation. The energy performance is certified using an Energy Performance Certificate (EPC). For buildings larger than 5000 m², upon completion, the building resulting from the construction undergoes testing for air-tightness and thermal integrity, and any deviation in the levels of performance set at the design stage or defects in the building envelope are disclosed to investors and clients. As an alternative; where robust and traceable quality control processes are in place during the construction process this is acceptable as an alternative to thermal integrity testing. For buildings larger than 5000 m², the life cycle Global Warming Potential (GWP) of the building resulting from the construction has been calculated for each stage in the life cycle and is disclosed to investors and clients on demand. 	<p><u>Contextual information</u></p> <ul style="list-style-type: none"> Energy requirements set in BBR (Swedish building regulations) is defined as NZEB in Sweden. In Sweden, climate calculations establishing the GWP for the construction phase are a regulatory requirement since 1 January 2022. The requirement is only valid for properties seeking a construction permit after 1 January 2022. This only covers phase A of construction, while the criterion in the taxonomy refers to phase A-C. 	<p>0% of revenue, 0% of OPEX, and 38.8% of CAPEX eligible</p> <p>0% of revenue, 0% of OPEX, and 27.1% of CAPEX likely aligned</p>
	EU Taxonomy DNSH-criteria	Comments on alignment	Alignment

<p>Climate change adaptation</p>	<p>The physical climate risks that are material to the activity have been identified (chronic and acute, related to temperature, wind, water, and soil) by performing a robust climate risk and vulnerability assessment with the following steps²³:</p> <ul style="list-style-type: none"> (a) screening of the activity to identify which physical climate risks from the list in Section II of this Appendix may affect the performance of the economic activity during its expected lifetime; (b) where the activity is assessed to be exposed to physical climate risks, a climate risk and vulnerability assessment to assess the materiality of the physical climate risks on the economic activity; (c) an assessment of adaptation solutions that can reduce the identified physical climate risk. <p>The climate projections and assessment of impacts are based on best practice and available guidance and take into account the state-of-the-art science for vulnerability and risk analysis and related methodologies in line with the most recent Intergovernmental Panel on Climate Change reports, scientific peer-reviewed publications, and open source or paying models.</p> <p>For existing activities and new activities using existing physical assets, the economic operator implements physical and non-physical solutions ('adaptation solutions'), over a period of time of up to five years, that reduce the most important identified physical climate risks that are material to that activity. An adaptation plan for the implementation of those solutions is drawn up accordingly.</p> <p>For new activities and existing activities using newly-built physical assets, the economic operator integrates the adaptation solutions that reduce the most important identified physical climate risks that are material to that activity at the time of design and construction and has implemented them before the start of operations.</p> <p>The adaptation solutions implemented do not adversely affect the adaptation efforts or the level of resilience to physical climate risks of other people, of nature, of cultural heritage, of assets and of other economic activities; are consistent with local, sectoral, regional or national adaptation strategies and plans; and consider the use of nature-</p>	<p>For all new construction projects, Fabege certifies with the BREEAM-SE certification with the ambition to reach the certification level Excellent. The certification requires to screen and mitigate against identified physical climate risks, using the worst case scenario RCP 8.5 from the IPCC.</p>	<p>Likely aligned</p>
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²³ The Taxonomy is referring to Appendix A in the Taxonomy Annex 1.

	based solutions or rely on blue or green infrastructure to the extent possible.		
Sustainable use and protection of water and marine resources	<p>Where installed, except for installations in residential building units, the specified water use for the following water appliances are attested by product datasheets, a building certification or an existing product label²⁴ in the Union, in accordance with the technical specifications:</p> <ul style="list-style-type: none"> (a) wash hand basin taps and kitchen taps have a maximum water flow of 6 litres/min; (b) showers have a maximum water flow of 8 litres/min; (c) WCs, including suites, bowls and flushing cisterns, have a full flush volume of a maximum of 6 litres and a maximum average flush volume of 3,5 litres; (d) urinals use a maximum of 2 litres/bowl/hour. Flushing urinals have a maximum full flush volume of 1 litre. <p>To avoid impact from the construction site, the activity complies with the criteria in the EU Water Framework Directive²⁵.</p> <p>Where an Environmental Impact Assessment is carried out in accordance with Directive 2011/92/EU²⁶ and includes an assessment of the impact on water in accordance with the Water Framework Directive, no additional assessment of impact on water is required, provided the risks identified have been addressed.</p>	<p>Relevant contextual information:</p> <ul style="list-style-type: none"> • General planning is the responsibility of the municipality and EIAs will be carried out on municipality level where required by national law. This includes a plan for impacts on water sources and will secure compliance with the EU Water Framework Directive. <p>Information provided by the company:</p> <ul style="list-style-type: none"> • Fabege has aligned the technical specifications set out in the taxonomy with the requirements in its technical framework program contractors need to follow. 	Likely aligned
Transition to a circular economy (circular economy)	<ul style="list-style-type: none"> • At least 70 % (by weight) of the non-hazardous construction and demolition waste (excluding naturally occurring material²⁷) generated on the construction site is prepared for re-use, recycling and other material recovery, including backfilling operations using waste to substitute other materials. • Operators limit waste generation in processes related to construction and demolition. • Building designs and construction techniques support circularity and in particular demonstrate how they are designed to be more resource efficient, adaptable, flexible and dismantlable to enable reuse and recycling. 	<p>Relevant contextual information:</p> <ul style="list-style-type: none"> • For the criterion to implement building designs and construction techniques support circularity, Guidance from the EU suggest that one needs to be better than average to comply. As there are not clear metrics on how to demonstrate that one is better than average, it is currently not enough information to judge whether projects fulfil the criterion. 	<p>Likely not aligned with 70% threshold</p> <p>Not possible to conclude on other circularity criteria due to uncertainty about</p>

²⁴ The Taxonomy is referring to Appendix E in the Taxonomy Annex 1.

²⁵ Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy

²⁶ DIRECTIVE 2011/92/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the assessment of the effects of certain public and private projects on the environment.

²⁷ Refer to the European List of Waste established by Commission Decision 2000/532/EC

		<ul style="list-style-type: none"> In Sweden, some sorted waste is sent for incineration to district heating facilities. This waste cannot be counted towards the 70%. 	interpretation of taxonomy thresholds
Pollution prevention and control	<ul style="list-style-type: none"> Building components and materials used in the construction comply with the criteria set out in Appendix C to the Taxonomy Annex 1. For building components and materials used in the construction that may come into contact with occupiers' formaldehyde emissions are within relevant limits²⁸. Where the new construction is located on a potentially contaminated site (brownfield site), the site has been subject to an investigation for potential contaminants²⁹. Measures are taken to reduce noise, dust and pollutant emissions during construction or maintenance works. 	<p>Relevant contextual information:</p> <ul style="list-style-type: none"> Based on sector feedback, there is currently a lack of information to judge if Fabege comply as it is unclear how to document alignment against the criteria set out in Appendix C. Measures to reduce noise, dust and pollutant emissions during construction and maintenance is regulated by law and the Swedish "miljöbalken". All construction projects need to have a plan for how these issues are addressed in a construction project and is disclosed to and followed up by the municipality before, during and after the construction phase. <p>Information provided by the company:</p> <ul style="list-style-type: none"> Fabega states in its annual report that it cannot yet substantiate the criteria as it does not have all the data on its ongoing projects to meet that it meet the requirements. 	Not possible to conclude due to uncertainty about interpretation of taxonomy thresholds

²⁸ Emit less than 0,06 mg of formaldehyde per m³ of material or component and less than 0,001 mg of categories 1A and 1B carcinogenic volatile organic compounds per m³ of material or component, upon testing in accordance with CEN/TS 16516522 and ISO 16000-3 523 or other comparable standardised test conditions and determination method.

²⁹ Standard ISO 18400 can be used.

<p>Protection and restoration of biodiversity and ecosystems</p>	<ul style="list-style-type: none"> • An Environmental Impact Assessment (EIA) or screening should be completed in accordance with national provisions³⁰. • Where an EIA has been carried out, the required mitigation and compensation measures for protecting the environment are implemented. • For sites/operations located in or near biodiversity-sensitive areas (including the Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas, as well as other protected areas), an appropriate assessment where applicable, has been conducted and based on its conclusions the necessary mitigation measures are implemented. • The new construction should not be built on one of the following: <ol style="list-style-type: none"> a) arable land and crop land; b) greenfield land of recognised high biodiversity value and land that serves as habitat of endangered species (flora and fauna) listed on the European Red List or the IUCN Red List. c) land matching the definition of forest as set out in national law used in the national greenhouse gas inventory, or where not available, is in accordance with the FAO definition of forest³¹. 	<p>Relevant contextual information:</p> <ul style="list-style-type: none"> • General planning is the responsibility of the municipality and EIAs will be carried out on municipality level. Land that is covered by area protection according to the Planning and Building Act is Natura 2000, nature reserves and animal and plant protection areas, and construction is not permitted. This is stated in the general and detailed plan for each municipality. • Municipalities are not allowed to offer sites for exploitation without the developer doing an EIA. Wetlands are covered by the EIA, and considered to be highly valuable so they are generally not to be exploited in Sweden. <p>Information provided by the company:</p> <ul style="list-style-type: none"> • The company has confirmed that no new construction is built on the areas listed in (a), (b), and (c) of this DNSH criteria, which is considered to be covered by the building permit.³² 	<p>Likely aligned</p>
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³⁰ The Taxonomy is referring to Appendix D in the Taxonomy Annex 1.

³¹ Land spanning more than 0,5 hectares with trees higher than five meters and a canopy cover of more than 10 %, or trees able to reach those thresholds in situ. It does not include land that is predominantly under agricultural or urban land use, FAO Global Resources Assessment 2020. Terms and definitions: <http://www.fao.org/3/I8661EN/i8661en.pdf>.

³²https://www.fastighetsagarna.se/globalassets/bilder/fakta/taxonomi/dokument/fa-bf-taxonomi-tolkning-av-aktivitet-71-72-och-77-rev-230605_1-1.pdf?bustCache=1694014259346

7.7 Acquisition and ownership of buildings

Framework activity	Green buildings		
Taxonomy activity	7.7 Acquisition and ownership of buildings (NACE Code L68)		
	EU Technical mitigation criteria	Comments on alignment	Alignment
Mitigation criteria	<ul style="list-style-type: none"> Substantial contribution to climate change mitigation <p>Acquisition and ownership of buildings, eligible if:</p> <ul style="list-style-type: none"> For buildings built before 31 December 2020, the building has at least Energy Performance Certificate (EPC) class A. As an alternative, the building is within the top 15% of the national or regional building stock expressed as operational Primary Energy Demand (PED) and demonstrated by adequate evidence, which at least compares the performance of the relevant asset to the performance of the national or regional stock built before 31 December 2020 and at least distinguishes between residential and non-residential buildings. For buildings built after 31 December 2020, the building meets the criteria set out for the activity ‘construction of new buildings’. Where the building is a large non-residential building it is efficiently operated through energy performance monitoring and assessment. <p>For buildings built after 31 December 2020, buildings are eligible if:</p> <ul style="list-style-type: none"> The Primary Energy Demand is at least 10 % lower than the threshold set for the nearly zero-energy building (NZEB) 	<p>We consider a report from Fastighetsägarna³³ to provide adequate evidence for the energy efficiency of the top 15% of the national building stock.</p>	<p>100% of revenue, 100% of OPEX, and 61.2% of CAPEX eligible</p> <p>70.4% of revenue, 60.9% of OPEX, and 61.2% of CAPEX likely aligned</p>

³³ [Topp 15 och 30% \(fastighetsagarna.se\)](https://www.fastighetsagarna.se)

	requirements in national regulation. The energy performance is certified using an Energy Performance Certificate (EPC).		
	EU Taxonomy DNSH-criteria	Comments on alignment	Alignment
Climate change adaptation	Please refer to Construction of new buildings.	<p>Information provided by the company:</p> <p>Fabege has carried out climate risk analysed on 60 of its properties on a property level based on the requirements set out in the taxonomy. The analyses are based on a worst case RCP 8.5 scenario from the IPCC. Floods and increased rainfall were identified as the greatest future potential risk. Other relevant climate risks such as wind, temperature changes, and erosion were assessed. These risks were judged to have a significantly lesser impact than heavy rains and floods. Fabege states it has decided to implement a large number of the measures that has been identified in the analysis.</p>	Likely aligned

Appendix 3: About Shades of Green

S&P Global Ratings Shades of Green provides independent, research-based second party opinions (SPOs) of green financing frameworks as well as climate risk and impact reporting reviews of companies. At the heart of all our SPOs is the multi-award-winning Shades of Green methodology, which assigns shadings to investments and activities to reflect the extent to which they contribute to the transition to a low carbon and climate resilient future.

Shades of Green Company Assessments indicate the greenness of a company by providing a shading of revenues, operating costs and capital expenditures, as well as an assessment the company’s governance structure. Shades of Green also provides second opinions on institutions’ frameworks and guidance for assessing and selecting eligible projects for green, sustainability and sustainability-linked bond investments. Shades of Green is internationally recognized as a leading provider of independent reviews of green bonds, since the market’s inception in 2008. Shades of Green is independent of the company being assessed, its directors, senior management and advisers, and is remunerated in a way that prevents any conflicts of interests arising as a result of the fee structure. Shades of Green operates independently from the financial sector and other stakeholders to preserve the unbiased nature and high quality of assessments.



ESG Opinion Provider of the Year



Largest External Review Provider in Number of Deals for Shades of Green



ESG Assessment Tool of the Year - Ratings



External Assessment Provider of the Year

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