



We turn vision into reality

Annual and Sustainability Report 2020

Faberge⁰

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This is Fabege

With a focus on commercial properties, Fabege develops attractive locations in the Stockholm area. We are a proactive partner that puts people front and centre. Our innovative, responsible and flexible ethos enables companies, locations and our city to develop and thrive. We take a long-term approach in our perspective and ownership.

Major owner on our submarkets

We create value by managing, improving and actively adjusting our property portfolio through sales and acquisitions. With combined property clusters, we build up extensive market knowledge and generate significant opportunities to help our customers grow and satisfy their various needs locally. Furthermore, this approach offers us a firm foundation for effective property management and a high occupancy rate.

From the customer's perspective

The key to Fabege's value creation is developing our customer offering to keep pace with the times and bringing long-term attractive districts to life. Rapid changes in society demand strong business partners who are responsive and have the energy to find new solutions to new needs. Our concept isn't primarily about constructing buildings. It's about creating the con-

ditions to help people and companies develop and thrive. Through close co-operation and the efficient use of resources, we build value for our owners, customers and their employees.

Holistic approach to sustainability

The fact that we are a major property owner in our submarkets means we can take significant responsibility for whole areas and contribute towards making Stockholm a more climate-friendly location. At the same time we want to help increase enjoyment of, and safety in the street environment, particularly by adding interesting and unexpected elements to our everyday lives that create life between the buildings. Through green financing we create sustainable buildings, environments and a long-term healthy and pleasant city for those who spend time here. We adopt an active role and consider the entire area. All the time.



94

properties

191

employees

100%

of our properties* are environmentally certified

1,245

thousand sqm

lettable area

578

thousand sqm

office development rights

SEK 3.2bn

rental value

SEK 76.6bn

property value

*Relates to investment and project portfolio excluding future development properties



Three reasons to invest in Fabege

Clear geographical concentration and a targeted focus

Our presence in a select number of fast-growing submarkets in the Stockholm area creates many advantages. It means we have good knowledge of the market and efficient property management. It is not possible to be the best at everything. We have therefore chosen to focus on commercial properties and close proximity to our customers. We are experts in Stockholm's office market.



Great potential

We have a large portfolio of development rights for both office and residential properties. Low initial values and an efficient construction process create good potential to generate impressive values. The goal is to invest SEK 10bn in our office development rights alone over a four-year period.



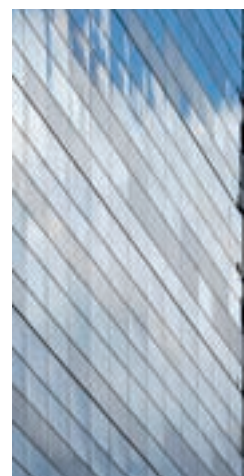
Stable and green

We have a stable balance sheet and strong key ratios. "Trends come and go, but real estate will always be needed". This describes our business well. We are a leader in sustainability and have 100 per cent green financing and a 100 per cent environmentally-certified investment and project property portfolio.

2020

Scandinavia's first zero-energy hotel

Scandinavia's first zero-energy hotel has almost been completed in Arenastaden. The hotel is part of Nordic Choice Hotel's Comfort Hotel chain, with 336 rooms, 88 long-stay apartments and Nordic Choice Hotel's Swedish headquarters.



Lunches for City Mission

We've bought just short of 20,000 lunches from restaurants in our properties and donated them to the City Mission and care workers in Stockholm during the pandemic.



Unusual opportunity for new building projects in inner city

Fabege has been granted a land allocation permit by the City of Stockholm at Sveaplan. A prerequisite for the creation of the development right, covering about 9,000 square metres, is that Sveaplan is redeveloped in accordance with the city's plans for Östra Hagastaden.



Key piece of the puzzle in place in Sweden's biggest urban development project

During the year we acquired the Regulatorn 2 property, which constitutes a key piece of the puzzle in the development of the future district of Flemingsbergsdalen. The transaction gives us greater control over the district's future development.

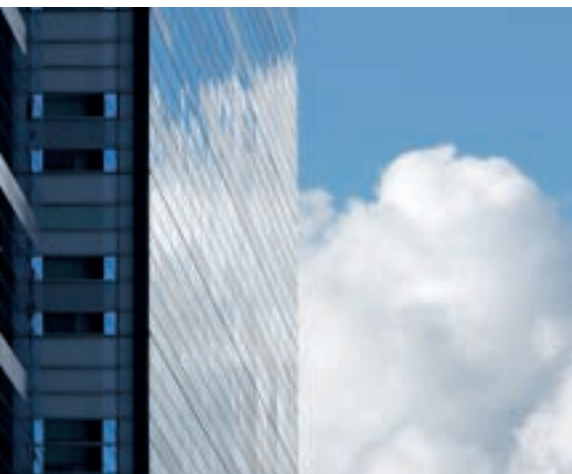


Arenastaden home to Europe's healthiest workplace

SEB's offices in Arenastaden have achieved Fitwel healthy building certification. It is the first workplace in Europe to be awarded three stars, which only five per cent of those that apply for certification manage to achieve.

Fabege is included in the sustainability index Global Challenges (GCX)

Fabege is the first real estate company to qualify for GCX. The fact that all investment properties are environmentally certified according to BREEAM In-Use and all new production is certified according to BREEAM-SE is the reason for the inclusion in the index.



The pandemic

The pandemic has been a major feature of the year on all levels of society. We have focused on maintaining close contact with our customers and supporting our employees.



Royal Opera and Theatre choose Fabege and Flemingsberg

The Royal Swedish Opera (Operan) and the Royal Dramatic Theatre (Dramaten) have signed a lease with Fabege to relocate parts of their operations from Nacka to Flemingsberg. The lease marks the start of the next phase of Fabege's urban development plans in Flemingsbergsdalen.



Fabege is a Great Place to Work

At the end of 2020, our workplace was certified as a 'Great Place to Work'. The standard is proof that our employees consider Fabege to be a good workplace.



New land allocation in Hammarby Sjöstad

Fabege and the City of Stockholm have come to agreement on a land allocation on Hammarby Fabriksväg (Korhoppet 5). The land allocation forms part of the city's project to link up Hammarbyhöjden and Hammarby Sjöstad. Together with the acquisition of Påsen 1 and Fabege's surrounding properties in the area, the new land allocation creates significant opportunities to expand Hammarby Sjöstad's vibrant urban character.



Fast-growing technology company signs lease with Fabege

Mentimeter, with over 80 million users and customers in over 200 countries, is now relocating its Swedish headquarters to Fabege's architectural gem at Apotekaren 22 in the city.



“I’m aware that over the past year we have learned to appreciate what the office means for us as individuals and for the company.”

Stefan Dahlbo
President and CEO Fabege



2020 will go down in history as a year that featured dramatic events, major fluctuations and many surprises. A year that began with much promise soon came to demand significant adjustments of us all, both on a personal level and for society as a whole. The economic trend was largely determined by the pandemic and its rapid spread.

“He who laughs has not yet heard the bad news” Bertolt Brecht

I don’t believe anyone, anywhere, could have foreseen at the start of the year the extent to which the pandemic would affect the world. Some of us can still clearly remember the financial crisis of 2008–2009, and in the spring the bleakest scenarios were reminiscent of that time. The Swedish economy hit rock bottom, GDP declined, unemployment soared to ten per cent. We saw a dramatic fall on the stock market, but this time we were quicker to take action and stimulus measures were swiftly instigated.

During the summer and start of autumn the situation stabilised, largely thanks to significant economic and political intervention, and there was some room for optimism. Until November. Then it turned out that this pandemic wasn’t about to disappear overnight. The second wave hit, with new peaks in the spread of infection and new, tough restrictions. We’ve been living with the biggest crisis in human memory for a whole year now. Entire countries have shut down at various times, many businesses have been hard hit, but most of all, millions of people have been affected and far too many have lost their lives. While many people and companies have been severely affected, some have coped well. At the time of writing, the vaccination effort has got off to a good start all around the world, but it may be some time before we’re back to anything like a normal situation. Despite this, many stock markets even closed on a positive.

“It ain’t over till it’s over”
– “Yogi” Berra

From 100 to zero to half speed, to what next?

Even for us here at Fabege, 2020 has naturally been overshadowed by the pandemic and its consequences. A great deal of time has been devoted to dialogue with our customers. It's about respecting the situation, understanding our customers and their businesses. We have to consider how they are affected and how we can help them move forward. The surveys we carried out reveal that many businesses are coping well, but many have of course suffered a severe negative impact as a result of the situation. Fabege's goal is at all times to be an effective partner; to be able to respond and develop alongside our customers. This goal has never been more important than it is today. It is still hard to have any kind of idea of what the long-term effects will be on the global economy. Government indebtedness is rising while growth is slowing; there is considerable political uncertainty in many countries, aspects of globalisation are being called into question, climate change remains a concern, while digital developments are moving forward apace, perhaps faster than ever before.

Long-term but never slow

Sweden's property market was characterised by low inflation and low interest rates. Interest in property is very high, and yield requirements have continued to fall. The transaction market remained at record-high levels; there was a strong interest in logistics properties, but also in public-services property and housing, while interest

in offices and hotels was lower. There have been relatively few transactions in our focus areas. One reason for this is that our areas tend to attract long-term owners. We've discussed the properties that have been on the market, but have not been prepared to pay the selling price. We made two acquisitions during the year: Påsen 1 in Hammarby Sjöstad and Regulatorn 2 in Flemingsberg. Both properties have considerable development potential.

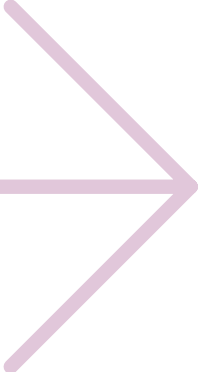
Meanwhile, the volatile share market and uncertainty meant that the share prices of property companies took a beating, mainly during the spring. One of the financial tools we can make use of is repurchasing shares, and we decided to take advantage of the situation. We see the opportunity to invest in our own business, heavily discounted against our net asset value, as an effective way of allocating the company's capital, and thus trying to create additional value for our shareholders.

Our net lettings saw a slight decline, largely due to lease terminations for tenants in potential development properties, but also because customers, for various reasons, opted to terminate leases or reduce their office space. It's quite clear that some of our customers and those of other companies want, or have no choice but to change their office structure due to the current circumstances.

At the same time, work on major lettings is taking longer than before, and in the autumn,



Steps down to the inner courtyard at Paradiset 23, Strandbergsgatan 55.



concluding leases for larger properties was a challenge, although discussions remained constructive. Some renegotiations had to be postponed due to the pandemic. But in those that we did manage to complete, the rental value increased by an average of 20 per cent.

In a more long-term perspective, many are wondering what will happen on the market and what it will look like once the pandemic is over. Will there be less need for offices and office space if more people continue to work from home? There's no doubt that our behaviour will change, both in terms of travel habits and the way we work. I'm convinced that we will see more working from home and that business trips for certain kinds of meetings will be replaced by digital meetings. I'm also aware that over the past year we have learned to appreciate what the office means for us as individuals and for the company.

“In the middle of difficulty lies opportunity”

– Albert Einstein

We tend to say something good always comes from something bad, and in this case it's actually true, particularly in two areas. The pandemic has upped the pace of development. We have quickly learned to work more flexibly and remotely, and to make use of digital technology for our meetings. The extent to which we can or want to work remotely is determined by what's best for the company and its employees. Working from home can

make life easier as we avoid the commute and can arrange our working hours to suit our particular circumstances in a way we couldn't before. At the same time, working from home isn't possible for everyone, perhaps because of the nature of the job, but also because there's just not enough room or the lack of human interaction.

That's where the office comes in, but not in the way we are used to. There's been an ongoing trend of shifting from individual offices to a more flexible use of office space. This trend has become more evident. We can clearly see that the office is becoming more of a venue for meetings and to inspire creativity. It's turning into a kind of champion of our corporate culture. I've heard someone say that you can run a company remotely, but you can't develop it. Development requires face-to-face meetings. We are therefore confident that offices are now needed more than ever to develop companies, build culture and a sense of community. This in turn means that offices must constantly evolve over time when it comes to layout, flexibility and integration of technical solutions – and our offices must lead the way in every respect. We must aim to be the go-to property company for offices. We are continually working to develop our offering in response to our customers' needs.

“Great things in business are never done by one person. They're done by a team of people”

– Steve Jobs



The entrance to Apoteket's headquarters at Arenastaden.





“We are confident that our focus on Stockholm, and primarily office properties, is a recipe for success for the future as well.”

Telia Company is head-quartered at Arenastaden.



Being able to offer a modern, functional office is key to attracting and retaining talented employees. Fabège has strong principles that are reflected in our set of values: SPEAK. In Swedish this stands for Fast, Informal, Entrepreneurial, Business-minded and Customer-focused. SPEAK is inherited from Erik Paulsson's era, and it has served Fabège well over the years. Our employees are absolutely crucial to our success, and 2020 has been a tough year for many of them. We have assisted by supplying equipment for those who have been using their home as a base, and we have worked on providing information and leadership. We have learned to work differently in so many aspects.

Being way ahead in relation to know-how and our willingness to learn about the digital transformation and the shift in user behaviour will be extremely important in creating value for our customers and ourselves. The digital trend also offers ample opportunity to streamline management and make it more sustainable.

Despite these unsettling times, our projects have continued to progress as planned. Once again, our strength is based on the fact that we don't build on speculation; our tenants are there from the start.

In the first quarter of 2021, Bilia will be moving into its new premises in Haga Norra, and sales have started of the first apartments with a very positive response. In Arenastaden, Choice will be taking over its office and hotel in 2021. Work is ongoing on Kvarter Poolen, which will soon be home to our customer TietoEVRY, and on the City of Solna's new public swimming pool.

Arenastaden is still only half finished, and we are currently discussing new opportunities for offices and homes in the Kairo block.

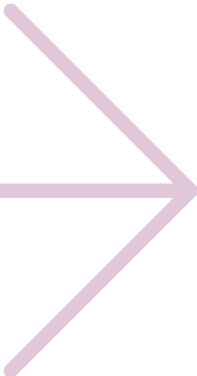
In the next stage in Haga Norra, some 55,000 square metres of office space is being planned ready to move into in 2024, along with just short of 1,000 apartments. The area is scheduled for completion by 2026/27.

Work is continuing on the major redevelopment of Solna Business Park. Fabège is leading an extensive transformation of the entire area, from an office district to a modern city environment with workplaces and housing.

Work in Stockholm inner city is mostly focused on further enhancements to our existing properties. One stand out event during the year, however, was the land allocation from the City of Stockholm at Sveaplan, opposite our Wenner-Gren Center, for 9,000 sqm of office space.

In Hammarby Sjöstad we have been allocated land that means that together with our existing properties, we are now able to extend Sjöstad's urban character and workplaces south wards, which is a very exciting prospect.

And in Flemingsberg, one of the projects that has perhaps been highlighted the most in recent years, work is progressing apace, and our ambitious plans are starting to come together. The planning programme has been out for consultation and our first major lease was finalised at the start of the year. Naturally we're delighted that the Royal Swedish Opera and Royal Dramatic Theatre are choosing to locate parts of their operations with us. Our aim is to raise Flemingsberg's profile as a new hub, and transform it from parking areas



and industries into a vibrant district with work-places and housing. The acquisition of Regulatörn 2 is something that has provided us with better control over the development of the area in Flemingsbergsdalen.

We are confident that our focus on Stockholm, and primarily office properties, is a recipe for success for the future as well. However, over the next few years we will be devoting more time and energy to creating value from all our housing development rights as well. These development rights have often been generated in our urban development work. The development rights equate to a total of just over 8,000 apartments, mainly in Solna and Flemingsberg.

“We can accomplish so much more together with others than what we can accomplish on our own” – David Attenborough

To conclude, just a few words about Fabege’s sustainability work. We work with sustainability issues in many different ways, and most of it happens in our day-to-day operations on site with our customers. If we can offer functional, well-managed premises in good properties and areas, and be proactive when it comes to creating sustainable solutions that benefit their businesses, then we get happy customers, employees who have pride in their work and satisfied shareholders. These days sustainability isn’t just a buzzword; it’s a hygiene factor. Companies that fail to work actively with these issues will be less profitable and find it increasingly difficult to attract capable employees as well as investors.

So it was with some degree of pride that we received the news from GRESB, Global Real Estate Sustainability Benchmark, that we were a Global Sector Leader in our segment, offices, listed property companies. GRESB carries out an annual global ranking of over 1,200 property companies and their sustainability work. And in the final few days of the year we achieved yet another key milestone when we converted the last five per cent of our loan agreements into green agreements. Fabege’s entire capital market financing is already green, both bonds and commercial paper, and now Fabege is the first Swedish property company to have completely green financing. That’s also something to be proud of. At the same time we want to work with our industry colleagues so that together we can all develop, learn and be inspired by one another, thus ensuring our industry does what it can to contribute. One important way for us to do this is by establishing ambitious targets.

It’s also important for us as a property owner and a major player in the areas in which we operate to try and contribute towards improving our city, districts or neighbourhoods. To help make them safer and more attractive. We can do this in lots of different ways, working closely with other property owners, municipalities, local associations, the business sector, schools, etc. As part of this work we try to be proactive in our close daily contact with the people who live and work in our areas. It is their daily lives that we are aiming to improve. Creating safe, attractive areas helps to enhance Stockholm and Sweden as a whole, and in my opinion creates value for our shareholders.

Owning, managing and developing property and areas is ultimately about people. That’s why it’s important to maintain close contact and a constructive dialogue with those who live and work there. To do what we can every day to make life easier for them.

“The future is made in your mind”

– John Lennon

2020 was an unusual, remarkable and at times difficult year. The pandemic had a negative impact on our business, as it did for so many others. But despite everything, the impact was less significant than we first feared.

Many question marks remain and there is a great deal of uncertainty regarding what 2021 has in store. We don’t know how quickly the vaccination programme will be rolled out, and what the pace of recovery will be like, or what the ‘new normal’ will be, post pandemic. Fabege enjoys a strong financial position, which means we are able to cope well even in difficult times, and hopefully harness any opportunities that may arise. Our properties are modern and well-managed, and situated in attractive locations. We have stable customers. Fabege’s employees are motivated and capable. We are well equipped to tackle future challenges.

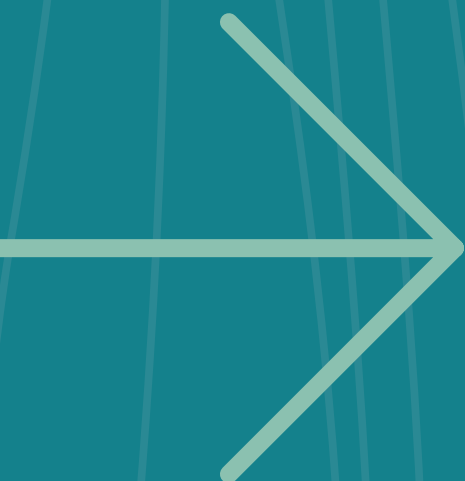
A huge thank-you to all our customers, employees, partners and shareholders who have been with us on this journey through 2020. Now let’s move forward, focusing on a fast and business-minded approach to our customers and looking for new ways to contribute, while respecting the situation in which we find ourselves.

Stefan Dahlbo
President and CEO Fabege



Success factors for a new era

We are living in a time when society, businesses and people need to be more prepared to adjust and make changes to ingrained behaviour, perhaps faster than ever before. With strong values and a clear vision, we want to create conditions for companies and locations to develop.



Our strategy and business concept

We work with sustainable urban development, with a primary focus on commercial properties within a limited number of well located submarkets in the Stockholm area. We create value by managing and improving our property portfolio and via value-adding transactions. We sell and acquire property with the aim of continually boosting the potential in our property portfolio.



Our vision – the success factor for a new era

We aim to be a proactive partner that puts people front and centre. Our innovative, responsible and flexible ethos enables companies, locations and our city to develop and thrive.

Our SPEAK values prioritise
inspiration over control,
putting people first.



Our mission – turning vision into reality

We help companies and people thrive and achieve their goals. We bring places to life. No dream is too big or too small for us. And every dream is unique.



Our pledge

Via solutions in response to ever-changing needs in terms of property and services, analogue and digital, we will take a holistic approach: the whole company, the whole area, the whole person, at all times.



Our values

Faberge works based on its core values: SPEAK. With an entrepreneurial spirit, a fast, informal, business-minded and customer-focused approach is at the heart of what we do. Our key features are drive and innovation. We work together, respecting each other. That's our hallmark.

**“Faberge is a proactive partner
that puts people front and centre.
Our innovative, responsible and flexible
ethos enables companies, locations
and our city to develop and thrive.”**



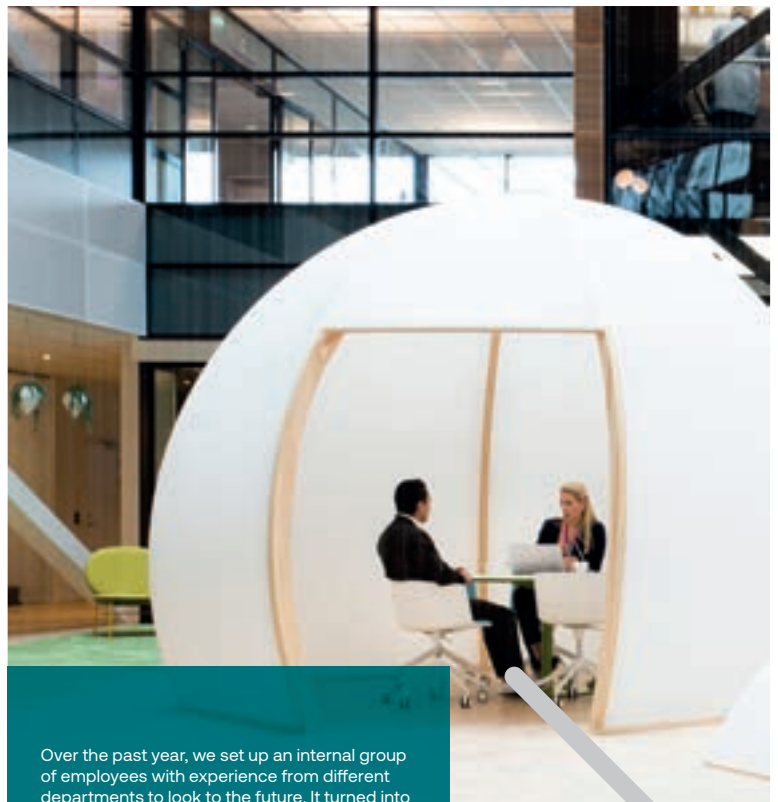
A different workplace for a different future

Identifying the drivers on the market will allow us to develop our business faster and with greater precision in a way that corresponds to customers' needs. The trends, and how Fabege intends to respond to them, extend beyond the pandemic, but we are all affected by it in the short and medium term.

It's been an eventful year. "We've seen two years' worth of digital transformation in two months," noted Microsoft CEO Satya Nadella in a famous statement back in the spring. We have also been able to see how the pandemic has affected all our customers in various ways in their daily lives. It has been a catalyst for a trend that was already happening. In a short space of time, the digital transformation, along with offices and working practices, has grown into a management issue of the highest priority, and helped bring matters relating to physical and mental health to the fore, as well as infection control and safety in the workplace.

Over the year we carried out extensive analyses of the market and identified four dominant trends in the office market. We have been working with these factors that extend beyond the pandemic for some time, but we believe they will gain greater significance for the offices and working life of the future.

What we can say is that the workplace of tomorrow will still be important, but it will also be different.



Over the past year, we set up an internal group of employees with experience from different departments to look to the future. It turned into a significant, intense and informative project. The following pages will give a summary of four key trends.

Four dominant trends in the office market



A digital transformation that affects everything



The digital transformation is fundamentally changing our everyday lives. It affects every individual, company and service. Increased digitalisation also encourages customers to impose completely new requirements on us as a property owner and urban developer. Digital services can help manage many aspects of life more smoothly. From the car pool, to ordering ancillary services and signing leases. New digital technology also creates opportunities for new ways of living, and brings about a change in our behaviour. These days we can work almost anywhere: while travelling, at home, at an office hub or in other locations. These new possibilities mean greater flexibility, and certain tasks can be managed more efficiently from places other than the office. Digital technology also creates new communication channels and reduces the amount of time spent on business trips and travelling to and from work. But as work is increasingly being done remotely, it also poses new challenges for both individuals and companies. Some miss the companionship of being together with colleagues in the workplace, while others experience more stress because they find it difficult to draw a line between work and leisure time. There's even a risk in some companies of team spirit, innovative strength and corporate culture suffering because physical meetings with employees are becoming increasingly rare.

Modern technology doesn't just affect how people live and work. For us it also impacts how we build properties, optimise the way we use buildings, save energy and create offices that are more secure. Compiling, storing and analysing data about our properties makes us better equipped to run a long-term sustainable business.

Fabege's response



If we use new technology in the right way, we can increase productivity and profitability for both our customers and ourselves. Over the past few years we have linked all our properties up to a digital fibre network. This allows us to efficiently compile and analyse information about each property in real time. We can also optimise our use of resources with regard to consumption of electricity, water, cooling and heating. Digitalisation also makes it easier for us to adapt premises to customer needs and improve security in the buildings.

Seamless digital solutions help us offer our customers easily accessible information about the properties and premises, and both fault reporting and booking desks in WAW offices (Work Away from Work office hubs for Fabege's tentents employees) are now done using apps. This helps us streamline our management while maximising customer benefit. We believe the office will still have a function in the future, and in the importance of good leadership that guarantees employees' wellbeing and the company's need to build on its corporate culture and encourage loyalty. We want to practice what we preach and consolidate our own way of working and productivity, harnessing the opportunities created by digitalisation, so we can also inspire our customers to do the same.



Values, wellbeing and sustainability



Over the past few years, an increasing amount of attention has been focused on issues relating to mental health and wellbeing in society and in the workplace. For many companies, health issues are mainly about work environment, both at the office and in other locations. It could, for example, be about the need to promote employees' opportunities to improve both their mental and physical health. Surveys also reveal that it is common, primarily among the younger generation, for opportunities to improve health and achieve a work-life balance to be regarded as more or less an essential factor when choosing a workplace. Considerable emphasis is also placed on employer values and work on various sustainability issues. We can also see that the UN Sustainable Development Goals and the 2030 Agenda are helping raise the profile of sustainability requirements in society as a whole. The trend is towards economically, socially and environmentally sustainable workplaces soon becoming the standard, and a hygiene factor for individuals and companies alike.

The world around us isn't just being affected by a pandemic. Climate change, political tensions and increased polarisation are also key issues. This is creating greater anxiety in society about things such as crime and the risk of infection. Digital developments have also brought new security risks, such as information and identity theft. For Faberge, these risks mean it is more important than ever to offer solutions for safety and security at our premises, properties and districts.

Faberge's response



We adopt an organised approach to safety and security issues in order to address concern among individuals and companies, and vulnerabilities at our properties. One example is our work to strengthen districts as safe and experience-based hubs. We want to help develop vibrant urban environments offering opportunities for activity during the day and in the evening. We also pursue wide-ranging sustainability work with the aim of understanding what makes a district sustainable from every perspective. All our investment properties are certified according to sustainability criteria, and in 2020 we were ranked a leader among listed property companies in the office sector as part of the global GRESB ranking. But our ambition doesn't stop at properties; we work systematically and purposefully to contribute to a more sustainable city.

Besides ensuring we have a good work environment – both at our offices and in other locations – it is also important for us to encourage our own employees to look after their physical and mental health. We believe this leads to improved safety, better health and greater job satisfaction, and we're delighted that we share this attitude with our customers. The close partnership with SEB regarding their new office in Arenastaden resulted in what is considered to be Europe's healthiest workplace, and we hope we can encourage more of our customers to aim for the same ambitious objectives.



Need for flexibility, simplicity and service

Society is increasingly demanding more efficient use of resources. The sharing economy leads to the development of new approaches and services. When it comes to property and the office market, we can see this trend via greater demand for flexible offices and packaged services. Office hubs and co-working solutions are examples of concepts that have emerged, offering companies opportunities to enable their employees to check in at the workplace as needed, or share various facilities with other companies. In a rapidly changing world, requirements for flexibility on lease terms and the size of premises are growing. It could, for example, be a matter of shorter lease terms or temporary solutions allowing tenants to increase or reduce their office space. For many companies, it is also both desirable and sometimes even essential to have the opportunity to move into fully equipped offices immediately. Demand for ancillary services is on the rise, for example seamless and easily accessible logistics and transport solutions.



Fabege's response

In order to respond to tenants' need for flexibility we sometimes add options to longer leases. This has enabled customers to do things such as increase or reduce their space. To meet demand for various types of office solutions we also offer both our own office hubs, or WAW offices, and smaller offices with shared facilities. We work actively to improve this facility for our tenants via various ancillary services. One example is our projects to contribute to sustainable transport and logistics solutions in our districts. We are also continually exploring new opportunities associated with the sharing economy. In this way we can increase flexibility in leases as well as offerings and approach, with the customer front and centre.





A different office for a different future



It's difficult to predict what long-term impact the pandemic will have on the workplaces of tomorrow, and future working life. However, there is much to suggest that a more activity-based approach is here to stay. Over the past few years, the trend has been towards company employees increasingly opting for locations and work environments based on the kind of tasks that are being performed. When ways of working change it also creates new needs, with more working from home, and higher cost requirements may lead to companies demanding smaller offices in a few years' time. But it could also go the other way. Some trends indicate that companies in the future will need more meeting areas for both physical and digital meetings.

The indications are that the office will remain important for companies, as a hub for creativity as well as development and togetherness. Physical meetings also facilitate innovation, cooperation and team building in a way that is difficult to achieve via digital solutions. The challenge for us as a property developer will be to satisfy customers' need for the full package. This is because even if the workplaces of the future will look different, they will need to provide a broad range of services including physical, digital, social and organisational benefits.

By offering customers access to all these elements, we are enabling them to harness new opportunities for their businesses in the form of a stronger corporate culture, increased interaction and greater flexibility, productivity and profitability.

Fabege's response



We work closely with our customers to offer solutions that create value for every business. Our extensive experience of office development means we are able to help customers identify new opportunities. It could be a matter of implementing new technology, changing their premises or way of working. Our ambition is to take a holistic approach at all times. It should be simple and safe to get to work, employees should be able to achieve a good work-life balance and have opportunities to develop professionally and thrive in a healthy, creative and social work environment.

We are looking at future trends, from the work we have done, and in our internal surveys, that people miss the creativity, development, team spirit and corporate culture represented by the office. So there's every reason to believe that offices will remain important, but that they will need to evolve, and we want to be part of that journey.

City development – taking comprehensive responsibility

Arenastaden

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By owning a large proportion of properties within well-defined areas, Fabege has the opportunity to assume greater responsibility for every aspect of an area. We want to actively participate in developing a sustainable Stockholm where everyone's needs have been considered: residents, workers and visitors. That's why we adopt a long-term approach to all our districts. We get involved in everything from public transport and the range of services available, to the individual offices and the position, design and purpose of the properties.

Fabège is now a significant property owner in the inner city, and the largest office owner in our other areas. With numerous properties gathered together in attractively situated clusters, we can be a driving force behind investments aimed at creating sustainable environments. We take a long-term approach to the entire development phase, from planning to project implementation and property management. Thus Fabège is able to take responsibility throughout the entire social construction process, and make the city a better place for its inhabitants.

Long-term approach at every stage

The fact that we are major owners in our areas means we are able to develop these districts and invest in life between the buildings. Fabège works actively to create environments with mixed-use buildings, where vibrant and thriving locations offer security. It is easy to take exercise and opt for sustainable travel alternatives, to name just a few examples. We also try to ensure there are green spaces, restaurants and services. All these aspects help people achieve a good work-life balance and make our areas pleasant places to spend time in. We also try to support positive social trends in various ways, including via value-adding partnerships that benefit the people in our areas such as local school projects and collaboration with Generation Pep, where Fabège is involved in building activity parks that promote

activity in an everyday setting. We endeavour to bring new qualities to the street community, for example through public art, murals and culture created by both established artists and local school students.

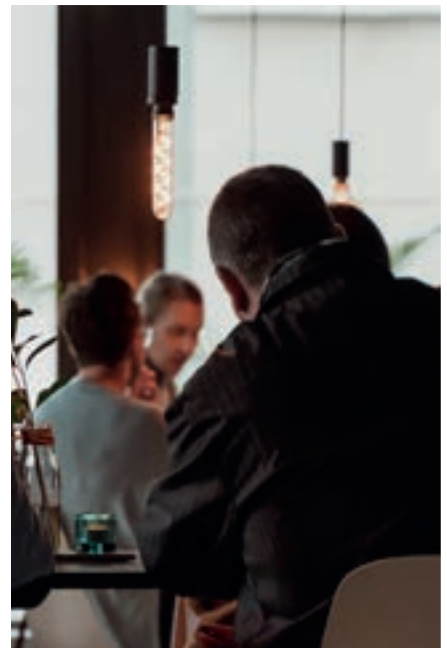
To quality assure sustainable development we use the Citylab Action method and BREEAM system of certification. These not only cover the buildings, but also the social and environmental impact on their surroundings.

One important element is encouraging sustainable behaviour, partly through travel surveys, by making it easier for cyclists to get about and by drawing more public transport to our districts. We fully understand that global warming is among the greatest challenges of our time. That's why we work purposefully to reduce our carbon footprint at every stage, and that applies to indirect carbon dioxide emissions from production as well. We are proactive about expanding geothermal energy solutions, such as the construction of Scandinavia's first zero-energy hotel in Arenastaden. We hope our efforts will inspire others.

“The development of Arenastaden has been ambitious and successful. We are now rolling out our experiences to other districts, for example in the development of Flemingsbergsdalen”

Charlotte Liliegren
Director of City and Property development





**The inner city is
continually relevant**

Stockholm inner city

Stockholm inner city is the largest office market in the Nordic region. With the best location in the city, excellent transport links and a high level of service, the inner city is always in demand.

Owning attractive properties in Stockholm inner city is a natural choice for Fabege. With our focus on urban development in Stockholm, it's important to have a presence in the city centre which so often is the starting point for new trends that then spread further afield. Stockholm's office market is characterised by high rents, stable cash flows and low vacancies.

Significant owner in the inner city

Fabège has a significant portfolio in the inner city, which constitutes 38 per cent of our property value. It is a place where property owners are largely made up of long-term institutions, chiefly insurance companies and pension firms. Buildings rarely come on the market in the inner city, which means our properties are highly sought-after.

With a broad portfolio of modern properties, Fabège is able to meet customer requirements while offering the best locations, both in the city and in adjacent districts. This also allows us to offer many flexible office solutions. There is much to indicate that customers will increasingly demand more offices to reduce employees' commute. It could be a bigger office to the north or south of the city to complement a smaller one in the centre, or vice versa.

For customers who are interested, we also offer modern office hubs, or WAW offices (Work Away from Work), where their employees can check in as needed and work for all or part of their working day.

Attractive opportunity for new building projects

During the year, Fabège was given the unusual opportunity to create new buildings in a unique location. This came about via a new land allocation at Sveaplan, which may allow for 9,000 sqm of office space in the future. Fabège already owns the famous Wenner-Gren Center in this area, as well as three of the properties on Sveavägen, which gives a valuable holistic perspective to the future development of Östra Hagastaden.

2021 will see the start of a major development project at the Bocken 39 property, which will bring added value. Our tenant Convendum will be opening premium offices; an activity-based, open-plan co-working area and café.



FACTS

- Number of properties: 27
- Property value: SEK 28.9bn
- Lettable area: 320,000 sqm

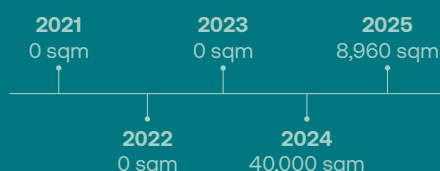


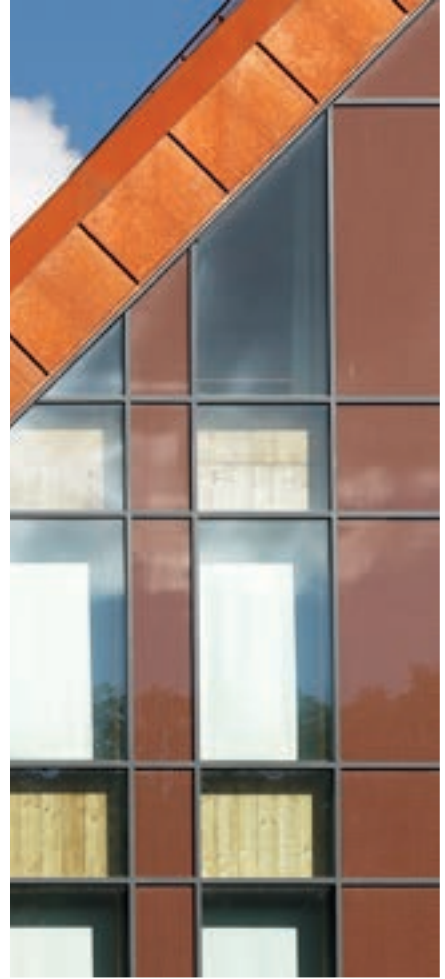
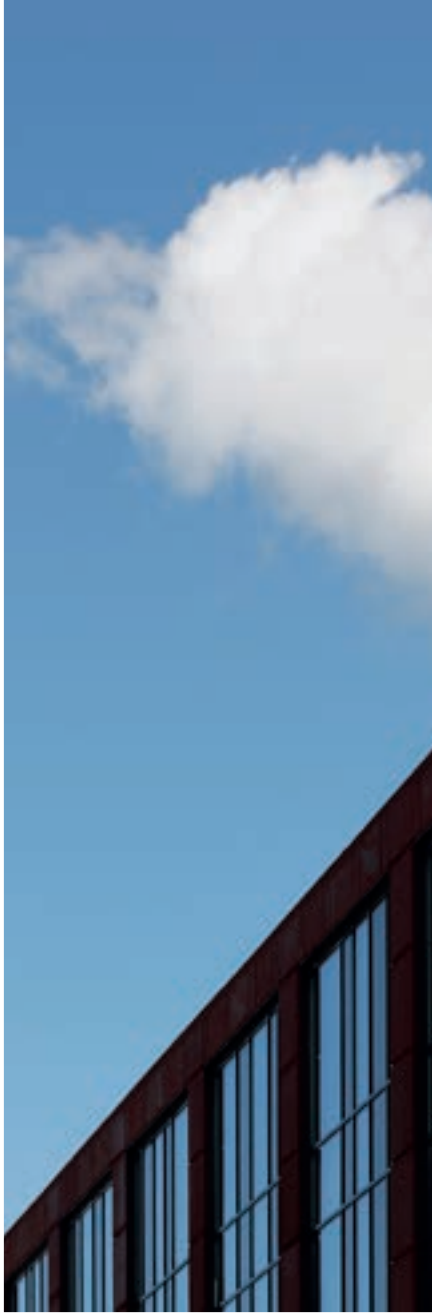
As a significant owner in Stockholm inner city and in several adjacent districts, we have the opportunity to offer customers the city's best locations, both in the centre and the suburbs.

Oskar Sköld
Market Area Manager, City

Our portfolio in the inner city mostly comprises modern offices and shops in the area around Kungsgatan and Drottninggatan, but we also own older properties such as Wenner-Gren Center in Norrtull, and stunning older buildings in Kungsholmen, Norrmalm and Östermalm.

POTENTIAL CONSTRUCTION PROJECT STARTS, OFFICES





**A district for
innovative ideas**

Hammarby Sjöstad

With its globally recognised sustainability profile, creative setting and proximity to the water, Hammarby Sjöstad attracts residents, workers and visitors alike. The already great transport links to the area are shortly to be improved further, and the district continues to develop at a fast pace.

Hammarby Sjöstad has long been home to many innovative businesses looking for a creative and dynamic environment. There are both new builds and improved older industrial buildings here, which together lend the district a unique character. With its archipelago/urban feel, Hammarby Sjöstad offers proximity to restaurants, schools, services and everything to meet the needs of people today.

District gains closer links with inner city

Hammarby Sjöstad is already a vibrant district, but the area is still far from finished. Demand for offices and housing continues to grow in the district, which is becoming increasingly integrated with the inner city. Plans are now underway to extend the underground rail system, with two completely new exits in Hammarby Sjöstad. This will make it even simpler to get to the city centre, which is already easily accessible by bus, light rail or using the commuter boats that regularly traffic the route to and from Nybrokajen.

Meanwhile, links with the southern and eastern parts of Stockholm are also improving, making it easy to reach Hammarby Sjöstad from every direction.

New land allocation and acquisitions

Fabege continued to expand its holdings in the area during the year, and with it opportunities to further develop the urban environment. One of the acquisitions made was Påsen 1, which is right next to Fabege's Triåfabriken 9 property; an old industrial building that has been converted into modern offices with a extension in wood. The acquisition offers us the potential for value-adding project development, and to respond to demand for modern offices in Hammarby Sjöstad.

During the year, Fabege was also allocated a significant piece of land by the City of Stockholm. This gives Fabege exclusive rights to negotiate on certain land in the area, and is part of the city's plans to link up Hammarbyhöjden with Hammarby Sjöstad and turn Hammarby Fabriksväg and Hammarbyvägen into an urban thoroughfare. This will create a continuous urban space with mixed-use buildings and around 4–5,000 office workplaces, a hotel and plaza.



FACTS

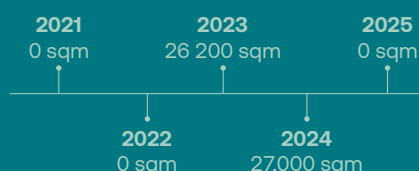
- Number of properties: 11
- Property value: SEK 7.5bn
- Lettable area: 134,000 sqm

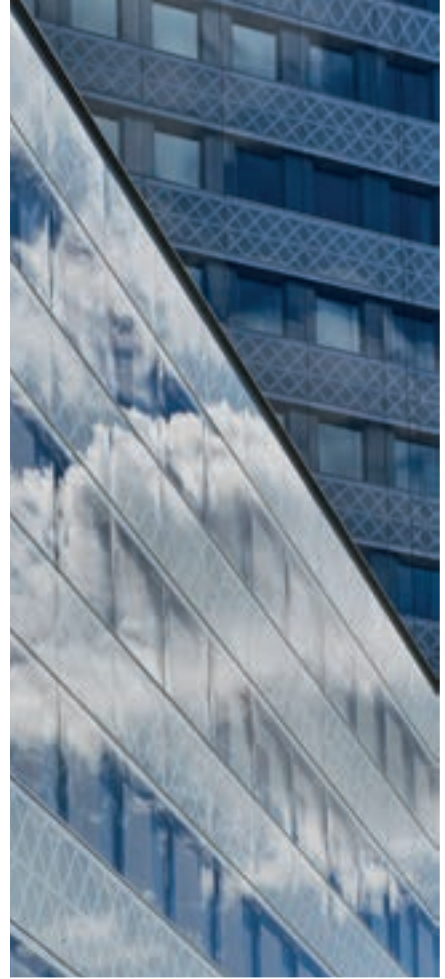


Hammarby Sjöstad is a district that really stands out because of its location, history and creative atmosphere. We are excited about the continued development of this location, which constantly offers new opportunities.

Per Tyrén
Market Area Manager, Hammarby Sjöstad

POTENTIAL CONSTRUCTION PROJECT STARTS, OFFICES





Arenastaden: a game of two halves

Arenastaden

Arenastaden is a district that appeals to both businesses and visitors, but it is far from finished. We're halfway there. We've developed around 250,000 square metres in the district, and still have just as much left to develop.

Arenastaden has established itself as one of Stockholm's most popular areas. Every year, millions of visitors are drawn to the district, which is built for both business life and entertainment. Arenastaden is home to SEB, Telia Company, Vattenfall and ICA, as well as Westfield Mall of Scandinavia and Friends Arena. Sustainability is at the heart of this district, and the properties are environmentally certified. With its proximity to the light railway, access to commuter trains and regular buses, Arenastaden also offers excellent communication links.

During the year, Fabège and the City of Solna continued work on their joint plan for the area around Solna Station and future public transport. In the future, the yellow underground line will have its own station at Arenastaden. Spring saw the launch of new direct trains between Solna Station and Gothenburg. This brings us one step closer to our vision of Arenastaden becoming a natural hub for regional trains, the underground and the Arlanda Express.

Plenty left to develop

It's easy to assume that Arenastaden is now finished, but the fact is that there are still around 250,000 square metres to develop. The aim is to create a mixed-use area with plenty of activity outside working hours. In the area around Solna Station, there are plans to deck over part of the tracks to create space for a large plaza. At the southern entrance and the future underground station, completely new surroundings will take shape. The neighbourhoods next to Dalvägen will make room for both housing and offices, and form pleasant promenades at ground level, with services and the hustle and bustle of daily life. A total of 91,000 square metres will be developed, including 73,000 square metres of offices and 18,000 square metres of housing. The local development plan is out for consultation and is expected to be completed in 2021.



FACTS

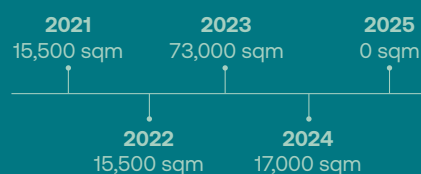
- Number of properties: 25
- Property value: SEK 19.1bn
- Lettable area: 305,000 sqm



Arenastaden is a successful urban development project where we have managed to transform an industrial area into an attractive district. We are now looking ahead to the next stage, with the aim of adding more housing to create a mixed-use area with plenty of activity in the evenings as well.

Niclas Ternstål
Market Area Manager, Arenastaden

POTENTIAL CONSTRUCTION PROJECT STARTS, OFFICES





**A vision with quality
of life at the heart**

Haga Norra

A sustainable district in a prime location is beginning to emerge in Haga Norra. With a somewhat continental character, the area will be developed into a mixed-use district with modern offices, housing, restaurants and shops.

Our vision for Haga Norra is to develop a place that Stockholm has long been lacking: a green oasis close to the heart of urban life. We are building a district from scratch in Haga Norra. This gives us an opportunity to draw on our experiences in terms of what makes an appealing district for residents, workers and visitors right from the start.

Everything we create in Haga Norra is built on a people perspective. The things that boost quality of life and that give a district the right feel and conditions for everyone to thrive. The area will be home to boutiques, cafés and restaurants. Housing will coexist alongside modern offices to form a mixed-use urban environment that has something to offer every hour of the day and night.

Everything close by

Haga Norra is a district that has many qualities, situated right in the heart of an exciting environment, right next to all the services in Arenastaden, Karolinska Institute and Karolinska Hospital, with a vast number of workplaces. It is also close to recreational areas, with the tranquility of Hagaparken just around the corner. From Haga Norra it's just a simple journey in to the centre and other parts of the city. Solna Station in Arenastaden is just a short walk away, and there are plenty of buses along Frösundaleden and the E4 motorway.

It takes no time at all to get from Arenastaden's transport hub to Odenplan, and from there you can reach the city centre in less than ten minutes. So there's a wealth of hassle-free alternatives for those who want to travel sustainably to and from the district.

Sustainability in focus

Once it is completed, Haga Norra will be an attractive and sustainable location. The aim is for the district's energy to be partly supplied using geothermal energy. Another goal is to develop a district that encourages sustainable behaviour. It should feel perfectly natural to leave the car at home and cycle or walk to and from the district instead. For those opting to cycle there will also be great links, bike pools and parking areas.

Fast pace of development

During the year, the district of Haga Norra continued to take shape and the first 150 apartments were put up for sale. In February 2021, Bilja also took over its new premises, which will be the most modern car showroom in Europe. Then the next exciting phase of development will begin, with a further 850 apartments and just over 55,000 square metres of offices planned in the area. The office properties are scheduled for completion in 2024, and the aim is for the entire area to be fully developed by 2026/2027.



FACTS

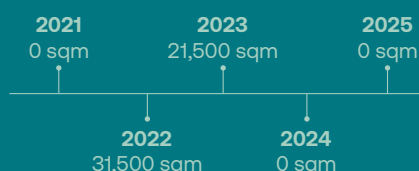
- Number of properties: 7
- Property value: SEK 3.1bn
- Lettable area: 50,000 sqm

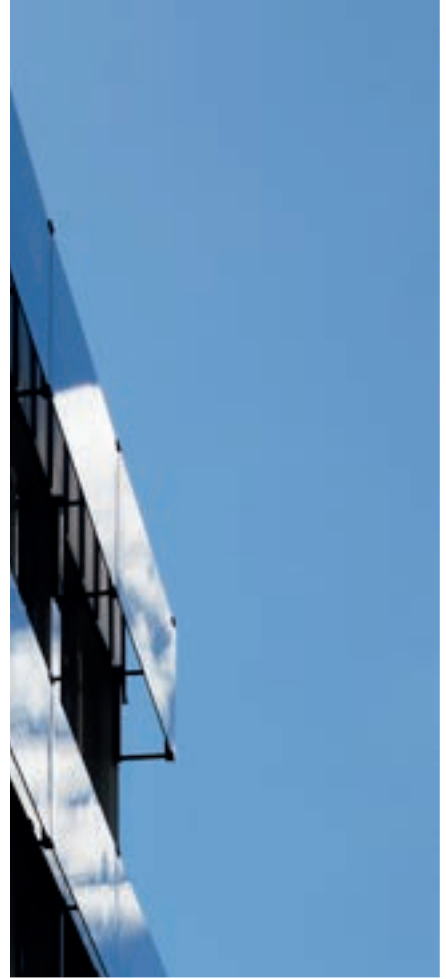


Haga Norra is emerging as one of the city's most exciting office locations. It is a new city district with the latest technology and modern services, combined with a unique character and atmosphere.

Emilie Larsson
Project Manager

POTENTIAL CONSTRUCTION PROJECT STARTS, OFFICES





An evolving district

Solna Business Park

Solna Business Park has grown into an attractive area for businesses and their employees. The district is now being taken to the next level, from a great area for offices to a vibrant neighbourhood with residential properties, more visitors and even better service.

The vision for Solna Business Park is for the area to not only be one of Stockholm's most appealing office locations. It should also be easy to achieve a good balance between work and leisure in the district. Offering employees a pleasant work environment enables companies to continue to strengthen their competitiveness as an employer.

One of the best locations in the city

With one of the best public transport locations in Stockholm, just seven minutes from T-centralen, Solna Business Park is well-placed to develop into a compact urban district. Companies such as Unilever, SBAB and Coop have established their headquarters here, and the district is also home to several authorities and a vast range of medium-sized and small businesses. Many people visit and work in the area every day, which offers the potential to add more housing to create a varied urban environment with plenty of activity, in the evenings as well. Our vision is to provide around 100,000 square metres of apartments and an additional 200,000 square metres of office space for the area. Solna Business Park will be a thriving location, with a focus on life between the buildings. There will

also be a strong emphasis on developing public spaces with the addition of attractive parks, streets and plazas that can be appreciated by everyone spending time in the area. To boost enjoyment of the area we will also be carrying out extensive work to reshape the urban environment, including by redirecting heavy traffic away and prioritising areas for walkways, cycle paths and green spaces.

A thriving district is emerging

During the year, Fabège has continued with its work to further develop life between the buildings in Solna Business Park. One initiative involved the opening of the Street Gallery exhibition, offering artists opportunities to create unexpected features in the street setting. A new park is also planned, which will give visitors the chance to find out more about the UN Sustainable Development Goals. Work on local development plans has been initiated and several redevelopment projects are underway, scheduled for completion in 2021/2022. Initially we plan to add just over 30,000 square metres of housing and 90,000 square metres of office space.



FACTS

- Number of properties: 9
- Property value: SEK 9.2bn
- Lettable area: 217,937 sqm

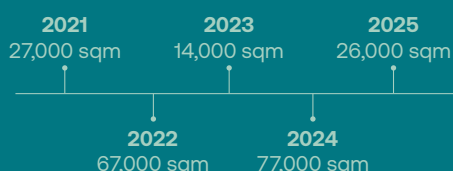


One of Solna Business Park's key strengths is that it is one of Stockholm's best public transport locations.

Susanna Elvsén
Market Area Manager
Solna Business Park



POTENTIAL CONSTRUCTION PROJECT STARTS, OFFICES





Knowledge and creativity come together in southern Stockholm

Flemingsberg

The transformation of Flemingsbergsdalen into an attractive and vibrant city centre is now underway. The vision is for 50,000 employees, 50,000 residents and 50,000 visitors to together contribute to a varied, dynamic and multifunctional location that creates a hotbed for new ideas.

Flemingsberg is already a place that attracts leading global research, higher education, companies and tourists. It is home to the Karolinska Institute, Södertörn University and a host of growing Life Science companies. The area is home to people of all ages, who live, work or study here. This provides excellent opportunities to develop the location into a thriving mixed-use district with an international feel and knowledge-intensive business sector.

Creating balance in Stockholm

Flemingsberg has long been designated a regional centre and natural hub for the infrastructure of tomorrow. Its prime location gives the district great potential to contribute towards creating a better balance in the Stockholm region. This development is generating opportunities for more attractive workplaces on the southern side of the city where a lot of Stockholmers live, while enabling the creation of a new public transport hub with excellent communications in all directions. The vision is for fast trains to be able to stop at Flemingsberg and connect Skavsta in the south with Arlanda in the north without any changes. There are therefore good opportunities for bringing together the various parts of Stockholm and creating an attractive centre on the south side of the city.

Considerable progress during the year

Several significant steps were taken during the year in the development of the new Flemingsberg, Sweden's biggest urban development project. A key milestone was the approval by Huddinge local government council of the planning programme for Flemingsbergsdalen. This was a prerequisite for starting work on the local development plans. Another important milestone was the acquisition of the Regulatorn 2 property, which enjoys a central location in the area. The transaction gives us even better control over the development of the area going forward. A total of roughly 1 million square metres are being developed, half of which will be offices, and the vision is for the entire area to be completed by 2050. The first major leases were also signed during the year. The Royal Swedish Opera and the Royal Dramatic Theatre have now decided to relocate their operations in Nacka to Flemingsberg and Fabeges new property, which is scheduled for completion in 2024. We will be working actively with social sustainability issues in the emergence of the area, including by involving existing Flemingsberg residents in future urban development matters.



FACTS

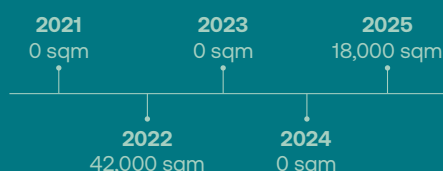
- Number of properties: 4
- Property value: SEK 1.5bn
- Lettable area: 68,000 sqm



The vision for 2050 is for Flemingsberg to be one of south Stockholm's most significant centres for working life, education, research and attractive housing. An inspirational hub, where innovation and collaboration promote sustainable societal development.

Therese Friedman
Business Developer, Flemingsberg

POTENTIAL CONSTRUCTION PROJECT STARTS, OFFICES



Sights set on a modern, carbon neutral city

Fabege continually operates based on the ambition of helping slow down global warming. When we develop our districts we also want to create the best possible places for the people living and working there. This could involve creating 20,000 square metres of green space in a former industrial area, or helping finance the expansion of the underground rail system. Through street art we hope to rejuvenate districts and encourage more people to take a walk and explore the area.

We want to help boost the Stockholm region's appeal and make it a safer, more pleasant city with a lower climate impact – every day. In order to succeed we are careful to make bold strategic decisions related to sustainability. We are determined and set ambitious goals, constantly aiming for the next level. One example is our environmental certification work, which has resulted in the certification of all the investment properties in our portfolio. But we're not stopping there. We want all our properties to achieve higher ratings. Our sustainability strategy is firmly integrated into our business concept, business model and corporate culture. We have dedicated ourselves to these issues over many years. Our vision for the carbon neutral district includes work with energy system solutions and sustainable transport. Our vision is for a dynamic city with residents, workers and visitors, promoting an active lifestyle and life between the buildings through cultural offerings, services and green spaces. In short, we look at the whole picture.

Clear goals show the way

Our goal is for our property management to be completely carbon neutral (Scope 1 & 2) by the year 2030, and to continue to launch strategic initiatives and work persistently in line with the UN's Sustainable Development Goals for 2030.

We have linked up with the Science Based Targets initiative (SBTi) and our goal has been approved. We have thus taken a further step in our efforts to adjust operations to contribute to the 1.5-degree target according to the Paris Agreement. During the year we also carried out extensive work to gain a more detailed picture of carbon dioxide emissions from the production and building phase, or Scope 3 emissions. Limiting these indirect emissions that are generated in various ways during the construction process is a major challenge for the entire industry. The objective is to cut indirect emissions by half by the year 2030. Since 2002, our carbon dioxide emissions (Scope 1 & 2) have declined by around 98 per cent from roughly 40,000 to approximately 800 tonnes, including carbon offset from district heating suppliers.

We have also cut energy usage for the entire portfolio by 62 per cent compared with 2005, which means we are already exceeding the Swedish energy policy target of a 50-per cent improvement by 2030. The energy performance of our investment property portfolio is now 74 kWh/sqm, which is a level of which we are extremely proud. Clearly the pandemic has played a part in our positive energy results, but the huge effort that our entire organisation devotes every day to energy issues is a strong contributory factor.



“We work systematically with sustainability issues to boost our competitive edge and create value.”

Mia Häggström
Head of Sustainability

Focus on remaining relevant over time

Our ambition is for an attractive, low-carbon city with sustainable use of energy, materials and transportation, and where it is easy to opt for a modern, sustainable lifestyle. More efficient use of energy and renewable energy sources are a natural element of Fabège's day-to-day operations. Reducing our carbon footprint is just as important as adapting buildings and districts to the climate changes that are already happening. It's also important for us to make urban environments more human, playful, diverse and surprising. We've worked on lighting projects as a way of creating safe environments, and parks as a way of promoting health and physical activity. During the year the pandemic has put the spotlight on the physical and psychosocial work environment. We're working actively on this issue with the digital transformation of our properties to improve wellbeing, flexibility and safety.

Fabège named Global Sector Leader in sustainability 2020

GRESB ranks property companies across the globe annually, based on the most crucial sustainability aspects for the sector. In this year's survey, Fabège achieved 93 points, which means that the company is ranked as a leader in the Office sector in the category of listed real estate companies globally. During the year Fabège also became the first property company to be added to the GCX sustainability index. The index includes 50 international shares in companies that pave the way in terms of managing global challenges.



No 'I' in 'team'

Committed, talented and motivated employees create profitability. We are convinced that each and every one of our employees is the key to our success. During the year, Fabege was certified according to Great Place to Work, and 93 per cent of our employees are proud to tell people where they work.

Motivated employees who develop professionally and feel fit and healthy are essential if we are to achieve our goals. We offer our employees a work environment in which our culture and our values bring us together and create a strong sense of belonging. Our core values 'SPEAK' (fast, informal, entrepreneurial, business-minded, customer-focused) have the endorsement of the entire organisation and mean that we all work towards shared goals, with the customer at the centre.

Responsive customer service and entrepreneurial and professional solutions to customer needs are key cornerstones, as are a quick response and down-to-earth approach. We are heading towards the same shared goals, and together we form a close-knit group that always puts the team first. At the same time we are careful to ensure each employee is aware of their own important role in achieving our shared success. Everyone who works for Fabege is included in our profit-sharing fund. We believe it goes without saying that the amount set aside should be the same for everyone.

Extensive health promotion initiatives for sustainable performance

By working systematically with health initiatives we want to create conditions for our employees to feel good and perform at their best at work. We take a comprehensive approach to the sustainable employee, considering the whole individual, both from a physical and mental health perspective. We work with everything from medical check-ups, to fitness activities and talks on topics such as diet, stress, sleep and relationships. Through these initiatives we aim to contribute to positive lifestyle changes and to strengthen team spirit within the organisation.

The psychosocial work environment has been a priority area during the year, particularly in connection with the pandemic. So far we have conducted four surveys in order to gain an understanding of how our employees are coping with the various challenges. The vast majority of employees stated that they were in good spirits given the circumstances, that they have received support and that working from home has been effective. We are keeping a close eye on things and trying to do our utmost to facilitate employees' wellbeing during this challenging period.

Great Place to Work

Our organisation continued to grow during the year. Fabege currently employs 191 people. The recruitment process for each individual employee is meticulous, and we feel pride in the fact that many talented people apply to work for us. With our sights set on being one of Sweden's most popular workplaces, in 2020 we carried out Great Place to Work's employee survey for the third time to evaluate our corporate culture. 99 per cent of our employees took part in the survey, and we succeeded in improving our results compared with 2019. Overall, 93 per cent of all our employees feel that Fabege is an excellent workplace, and 93 per cent are proud to tell others where they work. The result means that we are certified by Great Place to Work.



99 per cent of Fabège's employees took part in the Great Place to Work workplace survey, which was carried out for the third year running. 93 per cent believe that overall, Fabège is an excellent place to work and that they would recommend us as an employer. Proof of a high degree of pride and commitment.



“We always strive to create the right conditions for our customers, and it starts with us as an organisation. We have established our company with team spirit, and that’s how we want to continue to develop Fabège”

Gunilla Cornell
Head of HR



Bilia takes on its state-of-the-art showroom

In the heart of Haga Norra, which is in the process of being transformed into a new, vibrant district, we have created Bilia's new office and the most modern car showroom in Europe. It is the first building to be completed in the area and it officially opened in February 2021.

Björn Marell is Bilia AB's Property Manager, and he is delighted with the result.

"We asked for a cutting-edge, full-service facility, tailored to our concept requirements and with the very latest in logistics solutions. Things have really changed on since we moved into our former property in 1973, and it just wasn't viable any longer. We saw a need for a shake-up for ourselves and our way of working by taking on a modern facility that can cope with today's needs, and we're delighted to have achieved this alongside Fabège."

Björn explains that the staff at Bilia have been curious and positive throughout the project:

"We've had lots of viewings during the construction, taking all our employees to the site to show them their new workplace. The project has grown into a great product and we have only had positive reactions from our employees. We're moving from an old building to the most modern and unique facility. There's nothing else like this in the whole of Sweden, so everyone's been extremely positive about the move."

Björn also points out that the effective partnership with Fabège and the contractor Zengun has been a key factor:

"We have enjoyed a close and effective dialogue throughout the process. Sharing the same building with the project management has meant we've never been far away from each other, and it's been a considerable advantage that has made our work easier. Of course we haven't always been in agreement, but it's important to have certain discussions and dialogue, and it's thanks to these that we've achieved such a great end product."

Bilia has appreciated Fabège's strong focus on sustainability:

"We're delighted that you have ambitious sustainability requirements, and this facility gives us the best opportunities to achieve our own energy targets at Bilia. In addition to reviewing our operations and our consumption, we have installed the largest number of charging units for electric cars in this branch compared with any other. We think it's great that you are certifying buildings to BREEAM standard, because we haven't had that opportunity at any other location."

Goodbye Kansas – a satisfied customer with particular requirements

"Our cooperation with everyone at Fabège has been very strong throughout the entire project, and we have a great deal of respect for each other. Not only in our relationship as customer and landlord, but also as people."

So says Peter Levin, CEO and founder of Goodbye Kansas, who since 2019 has been running their own unique business in the newly-constructed building Hammarbyterrassen in Hammarby Sjöstad. Goodbye Kansas is Sweden's fastest growing company in the field of animation, game development and special effects. An industry where new technology and challenges are commonplace, and where companies need to have considerable capability when it comes to creativity and

rapid development, or they just won't be able to keep up. The property is now home to just over 200 digital experts and artists in a completely unique work setting.

"We are a very exciting and unusual company with particular requirements," explains Peter Levin. "We were looking around for new premises where we would have the opportunity to bring all our cutting-edge expertise under one roof. And we got that opportunity with Fabège."

The building is completely customised to Goodbye Kansas' operations. With the company's specific preferences regarding workplace design, a state-of-the-art 3D body scanner and one of the world's most modern mo-



Bilia has finally opened the doors to its new showroom and headquarters in Haga Norra.

Björn Marell
Property Manager, Bilia AB



tion capture studios requiring a ceiling height of seven metres, it's been a project like no other.

"Working with Fabège has been fantastic throughout the entire project, and the whole process together has gone extremely smoothly. I still have an image imprinted in my brain from when we stood there in the parking area and broke ground together with Fabège. The entire planning process culminated in that moment," says Peter Levin.

Prime location in Hammarby Sjöstad

Goodbye Kansas' employees are happy with the office location in Hammarby Sjöstad, a district that is an easy commute, close to the inner city and

with a strong sustainability profile throughout. The building itself is environmentally certified to BREEAM-SE, Very Good standard.

"It's fantastic to have the privilege of being a tenant in a building that enshrines important sustainability values. One of the first questions we got from our employees was about how environmentally sustainable the new building would be. I feel we are very environmentally aware, both within company management and among the employees in the team," says Peter Levin.

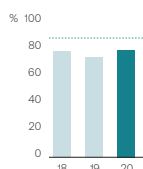
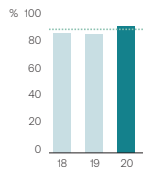
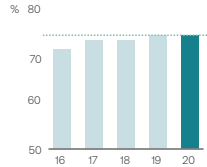
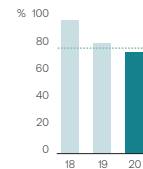
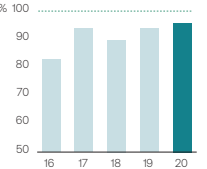


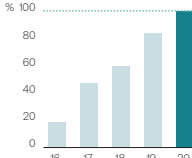

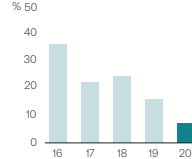
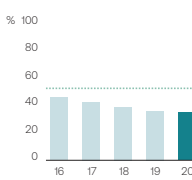
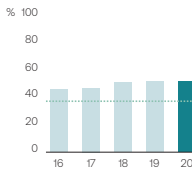
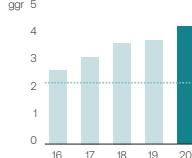

It's been fantastic working with Fabège throughout the entire project.

Peter Levin
CEO Goodbye Kansas



Progress towards established targets

Sustainable relationships	Target	Result													
Satisfied employees	85% Fabege carries out an annual employee satisfaction survey. Since 2018, we have been conducting an annual survey together with Great Place to Work. The long-term aim is to achieve a confidence rating of at least 85 per cent.	79% 99 per cent of employees participated in this year's employee satisfaction survey. The results indicated an average confidence rating of 79.	 <table><tr><th>Year</th><th>Confidence Rating (%)</th></tr><tr><td>18</td><td>75</td></tr><tr><td>19</td><td>75</td></tr><tr><td>20</td><td>79</td></tr></table>	Year	Confidence Rating (%)	18	75	19	75	20	79				
Year	Confidence Rating (%)														
18	75														
19	75														
20	79														
Recommending Fabege as an employer	>90% Fabege's goal is for 90 per cent of its employees to be happy to recommend Fabege as an employer.	93% In this year's survey, 93 per cent of employees responded 'yes' to the question: would you recommend Fabege as an employer.	 <table><tr><th>Year</th><th>Recommendation Rate (%)</th></tr><tr><td>18</td><td>85</td></tr><tr><td>19</td><td>85</td></tr><tr><td>20</td><td>93</td></tr></table>	Year	Recommendation Rate (%)	18	85	19	85	20	93				
Year	Recommendation Rate (%)														
18	85														
19	85														
20	93														
Customer Satisfaction Index	80% Satisfied customers are important to Fabege. The target is to achieve an index rating of 80 in Fabege's CSI survey.	78% Fabege carries out a customer survey every three years. The most recent survey was conducted in 2017. The survey had a high response rate and we achieved a rating of 78 on a scale of 100. In 2018 and 2019 we carried out customer dialogues instead, in order to gain an enhanced understanding of customer needs and expectations. The 2020 CSI survey was postponed due to the pandemic and is scheduled to be carried out in autumn 2021.													
Sustainability inspections of suppliers	100% 100 per cent of Fabege's strategic business partners must be inspected with regard to sustainability by 2020. These partners are estimated to account for roughly 75 per cent of the total purchasing volume.	100% Fabege has a supplier review cycle that extends over a four-year period. 2020 was the fourth year in our review cycle, which means that all 44 strategic cooperation partners have undergone a sustainability inspection over the past four years.													
Property, energy, environment	Target	Result													
Surplus ratio	75% The target is for the surplus ratio to amount to 75 per cent.	75% The surplus ratio has improved steadily, owing to growing revenue, an increasingly modern portfolio and continued efforts to boost cost efficiency.	 <table><tr><th>Year</th><th>Surplus Ratio (%)</th></tr><tr><td>16</td><td>72</td></tr><tr><td>17</td><td>73</td></tr><tr><td>18</td><td>74</td></tr><tr><td>19</td><td>75</td></tr><tr><td>20</td><td>75</td></tr></table>	Year	Surplus Ratio (%)	16	72	17	73	18	74	19	75	20	75
Year	Surplus Ratio (%)														
16	72														
17	73														
18	74														
19	75														
20	75														
Energy efficiency improvements	77 kWh/sqm Atemp Average 77 kWh/sqm Atemp⁹ by 2023 – New builds, max. 50 kWh/sqm Atemp. – Existing portfolio on average max. 85 kWh/sqm Atemp	74 kWh/sqm Atemp – Total energy, properties, 74 kWh/sqm Atemp – New builds, 50 kWh/sqm Atemp – Existing portfolio, 80 kWh/sqm Atemp	 <table><tr><th>Year</th><th>Energy Efficiency (%)</th></tr><tr><td>18</td><td>95</td></tr><tr><td>19</td><td>80</td></tr><tr><td>20</td><td>74</td></tr></table>	Year	Energy Efficiency (%)	18	95	19	80	20	74				
Year	Energy Efficiency (%)														
18	95														
19	80														
20	74														
Environmentally certified	100% All new builds and major redevelopments are to be environmentally certified according to BREEAM-SE. The existing portfolio is certified in accordance with BREEAM In-Use. Overall, the aim is for the entire property portfolio excluding development properties (for future project development) to be certified.	100% All project properties and investment properties are now certified. The remaining certifications relate to properties that are to be developed over the next few years.													
Green leases ²⁾	100% Green leases will account for 100 per cent of newly signed lettable area and at least 90 per cent of total lettable area.	96% In 2020, green leases accounted for 96 per cent of new leases and renegotiated space. At year-end, green leases accounted for 73 per cent of total lettable area.	 <table><tr><th>Year</th><th>Green Leases (%)</th></tr><tr><td>16</td><td>80</td></tr><tr><td>17</td><td>90</td></tr><tr><td>18</td><td>90</td></tr><tr><td>19</td><td>95</td></tr><tr><td>20</td><td>96</td></tr></table>	Year	Green Leases (%)	16	80	17	90	18	90	19	95	20	96
Year	Green Leases (%)														
16	80														
17	90														
18	90														
19	95														
20	96														

Financial	Target	Result													
Green financing	100% Fabege's ambition is for 100 per cent of the company's financing to be green or sustainable by 2020.	100% At year-end, 100 per cent of the company's outstanding financing and credit facilities were green and all creditors now provide green financing alternatives.	 <table><caption>Green financing percentage (%)</caption><thead><tr><th>Year</th><th>Percentage (%)</th></tr></thead><tbody><tr><td>16</td><td>15</td></tr><tr><td>17</td><td>45</td></tr><tr><td>18</td><td>55</td></tr><tr><td>19</td><td>80</td></tr><tr><td>20</td><td>100</td></tr></tbody></table>	Year	Percentage (%)	16	15	17	45	18	55	19	80	20	100
Year	Percentage (%)														
16	15														
17	45														
18	55														
19	80														
20	100														
Return on equity	 Fabege aims to consistently be one of the most profitable listed property companies in terms of return on equity.	7.8% The return on equity was 7.8 per cent, with contributions from Property Management and Property Development.	 <table><caption>Return on equity (%)</caption><thead><tr><th>Year</th><th>Percentage (%)</th></tr></thead><tbody><tr><td>16</td><td>35</td></tr><tr><td>17</td><td>20</td></tr><tr><td>18</td><td>22</td></tr><tr><td>19</td><td>15</td></tr><tr><td>20</td><td>7.8</td></tr></tbody></table>	Year	Percentage (%)	16	35	17	20	18	22	19	15	20	7.8
Year	Percentage (%)														
16	35														
17	20														
18	22														
19	15														
20	7.8														
Loan-to-value ratio	<50% The loan-to-value ratio must never exceed 50 per cent.	35% The loan-to-value ratio dropped to 35 per cent due to rising property values and value-generating investments.	 <table><caption>Loan-to-value ratio (%)</caption><thead><tr><th>Year</th><th>Percentage (%)</th></tr></thead><tbody><tr><td>16</td><td>45</td></tr><tr><td>17</td><td>40</td></tr><tr><td>18</td><td>38</td></tr><tr><td>19</td><td>35</td></tr><tr><td>20</td><td>35</td></tr></tbody></table>	Year	Percentage (%)	16	45	17	40	18	38	19	35	20	35
Year	Percentage (%)														
16	45														
17	40														
18	38														
19	35														
20	35														
Equity/assets ratio	>35% The target is to maintain a minimum equity/assets ratio of 35 per cent.	52% The equity/assets ratio was 52 per cent.	 <table><caption>Equity/assets ratio (%)</caption><thead><tr><th>Year</th><th>Percentage (%)</th></tr></thead><tbody><tr><td>16</td><td>45</td></tr><tr><td>17</td><td>40</td></tr><tr><td>18</td><td>45</td></tr><tr><td>19</td><td>48</td></tr><tr><td>20</td><td>52</td></tr></tbody></table>	Year	Percentage (%)	16	45	17	40	18	45	19	48	20	52
Year	Percentage (%)														
16	45														
17	40														
18	45														
19	48														
20	52														
Interest coverage ratio	2.2 The interest coverage ratio is to be at least 2.2.	4.3 The interest coverage ratio is well above the target, an effect of strong net operating income combined with low market interest rates.	 <table><caption>Interest coverage ratio</caption><thead><tr><th>Year</th><th>Ratio</th></tr></thead><tbody><tr><td>16</td><td>2.5</td></tr><tr><td>17</td><td>3.0</td></tr><tr><td>18</td><td>3.5</td></tr><tr><td>19</td><td>3.8</td></tr><tr><td>20</td><td>4.3</td></tr></tbody></table>	Year	Ratio	16	2.5	17	3.0	18	3.5	19	3.8	20	4.3
Year	Ratio														
16	2.5														
17	3.0														
18	3.5														
19	3.8														
20	4.3														
Debt ratio	13 The debt ratio will amount to a maximum of 13.	13.2 The debt ratio calculated as interest-bearing liabilities divided by net operating income less central administration amounted to 13.2.	 <table><caption>Debt ratio</caption><thead><tr><th>Year</th><th>Ratio</th></tr></thead><tbody><tr><td>16</td><td>15</td></tr><tr><td>17</td><td>14</td></tr><tr><td>18</td><td>13</td></tr><tr><td>19</td><td>12</td></tr><tr><td>20</td><td>13.2</td></tr></tbody></table>	Year	Ratio	16	15	17	14	18	13	19	12	20	13.2
Year	Ratio														
16	15														
17	14														
18	13														
19	12														
20	13.2														

¹⁾ Atemp is the internal area including floors, loft and basement that is heated to more than 10°C in the building.

²⁾ Lettable area above ground, excluding housing units.



Åsa Bergström
Vice President and CFO, Fabège

Our Vice President and CFO provides answers to the most common questions from investors



What do you think the trend will be for the top rents in CBD 2021–2022?

“I think we’ve seen a levelling off of rents in 2020. There’s still rent potential in renegotiations. Leases that are being renegotiated are between three and five years old, which means a continued rise in average rents even when the market rent is stagnant.”

And on that subject, do you think that rents in the top suburb locations will increase more or at the same rate as in CBD?

“CBD has always taken the lead, and during this period of strong rental growth, CBD rents have actually surged ahead of suburban rent levels. There’s perhaps still a little more potential in prime suburb locations, but we’re seeing the rise in rent levels being held back on the entire Stockholm market. On the other hand, the levels are stable and we haven’t seen any downward pressure to be concerned about in light of the pandemic.”

The rental increase in Stockholm in recent years has been fantastic. What’s been driving this?

“It’s partly growth in Stockholm and the fact that as Stockholm grows, so too does office employment, so the market itself has been expanding for a number of years. Meanwhile, the supply of new builds has failed to keep pace, and we’ve seen properties being converted from offices into housing or hotels, for example, which means that growth in office space on the Stockholm market has remained fairly limited. This has led to a reduction in vacancies and difficulty getting hold of good premises in prime locations, which in turn has pushed up rent levels.”

Do you see any risk of more operators entering the market now, and that this may cause an oversupply?

“No, we don’t think so. There aren’t many operators that are involved in new production on the

Meet Åsa Bergström

Stockholm market. There are a few property companies and construction firms running projects. Hardly anyone builds on speculation, and companies are keen to have signed leases in place before they launch a project. I think we've learned a lot from the crises at the start of the 1990s and 2000s, when demand plummeted while there was a lot of new building on the market. The situation is different now."

Has the pandemic affected Fabege's view of project development, primarily in the new Flemingsberg area?

"The letting processes are taking longer.

There's a bit more detail involved; it takes longer from initial contact to signing the lease. As a result we've seen fewer project starts in Fabege over the past few years than what we're used to. But it hasn't affected our view in the sense that we have properties in attractive locations that we believe have great potential in the long term. I don't believe there will be an increase in structural vacancies; I think we will see continued strong interest in both our existing property portfolio and in the buildings we are developing in new projects in our districts."

Fabège is at the forefront in terms of sustainability, but how much more does it actually cost to environmentally certify a property, and is it possible to demand higher rent for a green property?

"That's hard to say. We can take several examples from some of the bigger lettings we've concluded in recent years, following the development of new office properties in Arenastaden for companies such as ICA, TietoEVRY, Telia and SEB. The certifications are just as important for the tenants as they are for Fabège. Renting an uncertified property just wasn't an option for them.

"We're really proud of the great results we've achieved during the year. We've accomplished 100 per cent green financing. We got a great rating from GRESB's benchmark survey, and we commissioned CICERO to conduct an evaluation of our strategic sustainability work, for which we also received the highest rating.

"Investors and other stakeholders are showing heightened interest in how we conduct our sustainability work. We're getting more questions that indicate these issues are as important to us as they are to the market and society in general."

How do you think the bond market has coped with this baptism of fire that the pandemic has brought about?

"If we look back a year, we had a very strong market. When the pandemic started, the capital market essentially came to a standstill. Then the market began to recover slightly; first the commercial paper market and then the bond market

as well at the start of the summer, and we started issuing again. Today, both the bond and commercial paper markets are back at pre-pandemic levels. So it's been a volatile market during the pandemic.

"We've benefitted from the fact that we issue green bonds, because demand for green has outstripped demand for non-green. Reaching out to a number of investors who want green bonds has opened up opportunities for us to access the capital market."

That said, are we going to see an increase or decrease in bond financing going forward?

"We want to be somewhere in the region of 40–60 per cent for either bank or capital market financing. We currently have roughly 60 per cent from banks and 40 per cent on the capital market. So the capital market may well account for a slightly larger proportion of our financing as we invest, grow and borrow more. But we also think it's important to maintain our relationships with the banks, which we know are always there in good times and bad."

How has the pandemic affected the valuation of your portfolio?

"Over this past year we've had more properties independently valued than we ever have before. Usually all our properties are valued at least once a year. In 2020, a greater proportion of the portfolio was independently valued several times. We think it's important to be transparent about property valuations, as they are essentially our entire assets.

"Today, rents from these valuations are consistent with market rents, and the changes in value we have reported are down to the signing of new leases, vacancy changes, projects and slightly lower yield requirements. Looking ahead, we're not really expecting rent increases to have any significant impact on valuations. It will be more a matter of project investments generating value, and the fact that there is still a bit of a delay in yield requirements from valuations. The few transactions that are carried out on the Stockholm market also indicate a strong market and good levels."

Solna, March 2021

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Directors' Report

The Board of Directors and Chief Executive Officer of Fabege AB (publ), company registration number 556049-1523, hereby present the 2020 Annual Report for the Group and Parent Company.

The business

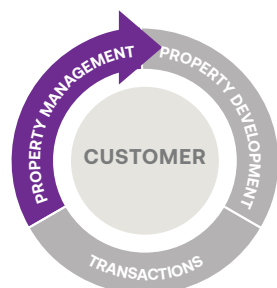
Fabège is one of Sweden's leading property companies focusing on commercial premises. The business is concentrated in a small number of fast-growing priority submarkets in the Stockholm region. Fabège manages and improves its existing properties while continuously developing its portfolio through sales and acquisitions. Realising value is an integral and key part of the business.

The transactions and investments made in 2020 continued to reflect our focus on the prioritised submarkets of Stockholm inner city, Solna, Hammarby Sjöstad and Flemingsberg. At 31 December 2020, Fabège owned 94 properties with a combined rental value of SEK 3.2bn, a lettable area of 1.2 million sqm and a carrying amount of SEK 76.6bn, of which development and project properties account for SEK 11.4bn. Commercial premises, primarily offices, represented 84 per cent of the rental value. The financial occupancy rate for the portfolio as a whole was 91 per cent (94). The occupancy rate in Fabège's portfolio of investment properties was 92 per cent (94). New lettings during the year totalled SEK 157m (246), while net lettings were SEK -45m (-37). Lease terminations amounted to SEK -202m (-283). Significant lettings during the year included the project letting to the Royal Swedish Opera and the Royal Dramatic Theatre in Flemingsberg, Mentometer in the city and Statens Institutionsstyrelse (National Board of Institutional Care) in Solna Business Park. Furthermore, an additional number of smaller project lettings and several smaller leases were signed with respect to management lettings.

Efforts to extend and renegotiate existing customer leases continued to contribute to increased rental value. However, the renegotiation volume was lower than in previous years as a number of renegotiations were postponed due to the ongoing pandemic. A lease value of just over SEK 115m was renegotiated during the year (275). The rent levels in renegotiated leases increased by an average of 20 per cent (19). The retention rate during the year was 65 per cent (70).

Business model

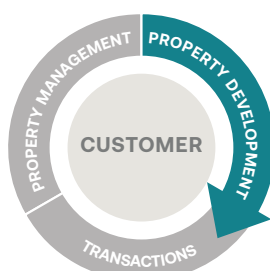
With modern commercial properties in a select number of submarkets in the Stockholm region, Fabège's goal is to be a close partner that puts people first and encourages companies, locations and our city to develop.



Property Management

Low risk with stable cash flow

Finding the right premises to match a customer's specific requirements and ensuring that they are happy with both the premises and the surrounding area is a cornerstone of our business model. This is accomplished through long-term work and based on close dialogue with the customer, thus building mutual trust and loyalty.



Property Development

Creating value – increasing quality in the portfolio

Property development and new production is the second key cornerstone of our business. Our objective is to attract long-term tenants to properties that have not yet been fully developed, which are then redesigned based on the customer's specific requirements.



Transactions

Financing projects – increasing the potential in the portfolio

Property transactions are also a cornerstone and a natural element of our business model. The company continuously analyses its property portfolio to take advantage of opportunities to increase value growth, both through acquisitions and sales.

Property-related KPIs

	2020	2019	2018
No. of properties	94	87	89
Lettable area, 000 sqm	1,245	1,255	1,252
Financial occupancy rate, %	91	94	94
Rental value, SEKm	3,242	3,195	2,960
Net lettings	-45	-37	159
Surplus ratio, %	75	75	74

Business model's contribution to earnings

SEKm	Jan-Dec 2020	Jan-Dec 2019	Jan-Dec 2018
Profit/loss from property management	1,511	1,551	1,218
Change in value (investment property portfolio)	1,898	4,129	5,252
Contribution from Property Management	3,409	5,680	6,470
Profit/loss from property management	-38	-19	28
Changes in value (profit from Property Development)	774	1,443	2,301
Contribution from Property Development	736	1,424	2,329
Realised and unrealised changes in value	92	171	285
Contribution from Transactions	92	171	285
Total contribution from operations	4,237	7,275	9,084
Contribution, SEK per share	13	22	27

Corporate responsibility

Fabège has prepared a sustainability report according to the Global Reporting Initiative (GRI). The Sustainability Report has been prepared to satisfy sustainability reporting requirements in accordance with Chapter 6 of the Swedish Annual Accounts Act. The Sustainability Report is published in full on pages 100–133. Fabège's efforts to pursue its operations sustainably and responsibly are a success factor that permeates the business and today involves our employees in various ways. Our focus is on sustainable urban develop-

ment, energy and the environment, responsible relationships with stakeholders and our operating environment, satisfied customers and a good working environment, health, job satisfaction and professional development opportunities for our employees.

As a developer of entire city districts, it is important for Fabège to take responsibility for ensuring the new areas are created in a way that is sustainable in the long term. Making sure a mix of offices, residential units, services and recreation areas are built close to good public transport connections makes for vibrant and safe environments. A strong environmental focus means, for example, that the properties are environmentally certified, customers are offered green leases and the company has high ambitions as regards further reducing energy use.

Satisfied employees are a key factor for Fabège's success, and the company has a high confidence rating. It is essential to uphold a healthy corporate culture and ethically sound conduct, and to respect human rights. Fabège monitors suppliers to ensure they are acting in accordance with the company's Code of Conduct.

Acquisitions and sales

Two properties were acquired in the second quarter: Påsen 1 in Hammarby Sjöstad and a land property in Arenastaden for a purchase price totalling SEK 440m. In the third quarter, Regulatörn 2 in Flemingsberg was acquired for a purchase price of SEK 760m. September also saw the formal handover of the development right Poolen 1, Arenastaden.

During the first quarter, a land property in Vallentuna was sold for a purchase price of SEK 58m. Sadelplatsen 1, Solna, was sold in the fourth quarter for a purchase price of SEK 260m. The property is due to be vacated on 26 March 2021. Including a reversal of a provision for previously divested properties, realised changes in value amounted to SEK 49m (0). Fabège and Peab are joint investors in a co-owned garage property in Råsunda, Solna. The property is being accounted for using proportionate consolidation and was included in Fabège's accounts at year-end with a property value of SEK 35m. Furthermore, Hagalund 2:2 in Haga Norra has been divided up into six properties.

Investments in existing properties and ongoing projects

In 2020, a decision was taken on significant project investments totalling SEK 0.5bn (1.7), relating to the development of Stigbygelin 2 and new construction of a multistorey car park, both in Arenastaden. The year's investments of SEK 1,854m (2,556) included SEK 1,354m (1,544) pertaining to investments in project and development properties. The capital invested in the investment property portfolio, which amounted to SEK 501m (1,012) and encompassed energy investments and tenant customisations, also contributed to the total growth in value.

The first quarter saw the completion of the conversion of Fortet 2, Solna, into a hotel, long-stay accommodation, and co-working and restaurant facilities. KOM Hotel took over the premises as tenant at the beginning of April. The redevelopment project relating to part of Paradiset 23, Västra Kungsholmen, and conversion of Fräsaren 12 in Solna Business Park for Arbetsmiljöverket (Swedish Work Environment Authority) was also completed during the period. Tenants have moved in and the few remaining vacant areas will be completed during the management phase.

The two major projects including hotel, long-stay accommodation and offices for Choice at Nationalarenan 3 and Bilia's new facility in Haga Norra are both in the final phase, with occupancy scheduled for the first quarter of 2021.

The aggregated project volume of the five major ongoing new builds amounted to approximately SEK 3.4bn at year-end, with a

lettable area of 108,000 sqm. All projects are proceeding according to schedule. The occupancy rate in the major project properties was 82 per cent at year-end.

Revenues and earnings

Profit after tax for the year was SEK 3,167m (6,006), corresponding to earnings per share of SEK 9.65 (18.16). Profit for the year before tax amounted to SEK 4,007m (7,034). Slightly lower earnings from property management and lower changes in value meant that profit before tax declined in comparison with the year-earlier period.

Rental income decreased to SEK 2,806m (2,856), while net operating income fell to SEK 2,112m (2,144). The divestment of Pelaren 1 and Trångskåren 7 meant that rental income fell by SEK 188 million against a comparable period. In an identical portfolio, rental income grew by roughly 5 per cent (14), just over half of which related to growth through tenants moving into completed project properties. Rebates and provisions during the year owing to the coronavirus pandemic amounted to SEK 64m, SEK 18m of which was repaid to Fabège via the government rent support package. The remaining increase in an identical portfolio related to net vacations prior to projects and growth as a result of new lettings and renegotiated rent levels. The lower running costs were mainly due to lower electricity and heating costs as a result of the mild winter. Net operating income in an identical portfolio rose by approximately 6 per cent (16). Overall, the surplus ratio amounted to 75 per cent (75).

Realised changes in value of SEK 49m (0) related to reversed provisions from previous transactions.

Total unrealised changes in value amounted to SEK 2,715m (5,743). The unrealised change in the value of the investment property portfolio of SEK 1,941m (4,129) was mainly attributable to increased rent levels for new lettings and renegotiations and lower yield requirements. The amount included unrealised changes in value of SEK 43m relating to properties sold. During the year the average yield requirement declined by 0.09 percentage points to 3.88 per cent (3.97).

The project portfolio contributed to an unrealised change in value of SEK 744m (1,443), primarily due to development gains in the major project properties.

The share in earnings of associated companies was SEK -53m (-34) and mainly related to a capital contribution to Arenabolaget. Operations at Friends Arena have been negatively impacted by the pandemic and the fact that events have been cancelled.

Unrealised changes in value in the derivatives portfolio totalled SEK -229m (-235). The extension of the fixed-rate term and low long-term interest rates led to an increase in the deficit value during the year. Net interest items amounted to SEK -462m (465).

Tax

Tax on profit for the year amounted to SEK -840m (-1,028). Current tax of SEK 24m related mainly to the reversal of current tax after re-testing of prior years' tax assessments. Tax was calculated at a rate of 21.4 per cent on taxable earnings in 2020. In accordance with the new corporate taxation method, the deferred tax liability has been recalculated at the new tax rate of 20.6 per cent.

The new regulations relating to restrictions on interest deductions that came into force on 1 January 2019 are not deemed to have any material impact on tax paid.

Tax situation

Current tax

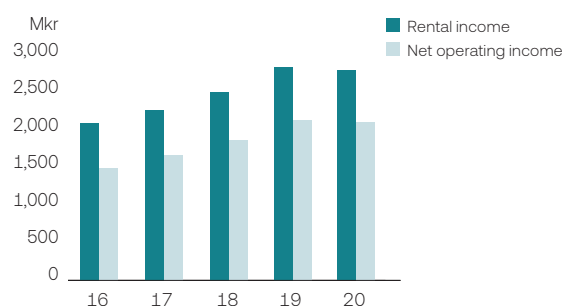
Tax loss carryforwards, which are expected to reduce the tax expense in future years, are estimated at SEK 3.4bn (3.8). Payment of income tax can also be delayed through tax depreciation of the properties. In case of a direct sale of property, profit for tax purposes, defined as the difference between the selling price and the tax residual value of the property, is realised. If the sale is made in the form of a company, this effect can be reduced. It is generally expected that current tax will remain low over the next few years.

Deferred tax liability/tax asset

On 31 December 2020, the difference between the book and tax residual values of Fabege's property portfolio was approximately SEK 51.4bn (46.3). Net deferred tax liabilities amounted to SEK 8,288m (7,431).

Deferred tax attributable to, SEKm	2020	2019
Tax loss carryforwards	-693	-690
Difference between book and tax values in respect of properties	9,166	8,322
Derivatives	-128	-201
Miscellaneous	-57	0
Net debt, deferred tax	8,288	7,431
Tax paid, SEKm		
Income tax	3	-53
Property tax	223	221
VAT	22	35
Stamp duty	23	13
Energy tax	16	20
Total	286	236

Rental income and net operating income



Cash flow

Cash flow from operating activities before changes in working capital amounted to SEK 1,513m (1,539). Changes in working capital had an impact on cash flow of SEK -164m (478). Investing activities had an impact of SEK 82m (-1,270) on cash flow, while cash flow from financing activities totalled SEK -1,435m (-738). In investing activities, cash flow was driven by property transactions and projects. Cash and cash equivalents declined by a total of SEK 4m (9) during the year.

Financial position and net asset value

Shareholders' equity amounted to SEK 41,542m (40,068) at year-end and the equity/assets ratio was 52 per cent (52). Equity per share attributable to Parent Company shareholders totalled SEK 127 (121). EPRA NRV was SEK 155 per share (145).

Parent Company

Sales during the period amounted to SEK 320m (315) and earnings before tax amounted to SEK 356m (3,346). Net investments in property, equipment and shares totalled SEK 1m (0).

The work of the Board of Directors

A separate description of the work of the Board of Directors is provided in the Corporate Governance Report on pages 82–96.

Human resources

The average number of employees in the Group during the year was 180 (172), including 65 (57) women and 115 (115) men. All were employed in the Parent Company. At year-end, the number of employees was 191 (188), including 71 (67) women. See Note 6 on page 72 for further details.



Impact of Covid-19 on Fabege

Property management and rental income

The majority of Fabege's customers are large, stable companies. However, we also have customers in the service sector who have asked to defer rental payments and for rental rebates due to the pandemic. We are making arrangements with customers on a case-by-case basis, focusing on transfers to monthly payments and repayment deferrals. In total, rebates have been granted during the year totalling SEK 64m, SEK 18m of which is being repaid via the government rent support package. The net amount has reduced rental income for the year. We believe that some of our customers will be needing support at the start of 2021 as well.

Financing

Access to financing on the capital market came to a standstill at the start of the pandemic in March and April, but gradually recovered in the lead up to the summer and particularly quickly at the start of the autumn. Following a period of uncertainty at the end of the autumn, the new year has begun on a positive note, with interest and margins at pre-pandemic levels. During

the year, Fabege has been active on both the commercial paper and bond markets, and been able to take advantage of good issue opportunities. We have also refinanced bank loans at attractive levels during the period.

We now have just a few financing maturities over the coming year, no bank facilities are due to lapse until 2022 and we have bonds totalling SEK 900m due to mature in 2021. If market conditions allow, we intend to replace commercial paper and bonds due to mature with new issues, but we are able to refinance remaining maturities using existing credit facilities in banks, if required. Fabege is a strong brand, both with the banks and on the capital market, and our strategy of allocating financing across several different sources, spreading refinancing over time and relying exclusively on green financing is a strength.

Projects

All projects are proceeding according to schedule. We have managed to staff our projects and keep to our schedules by planning ahead.

Transactions and valuations

The property portfolio is valued according to a well-established process. Many of our properties have been independently valued several times during the year. Before the end of the year, around 30 per cent of the portfolio was again independently valued by Newsec and Cushman Wakefield. Overall, the average yield requirement in the portfolio declined to 3.88 per cent during the year, and the total unrealised change in value amounted to SEK 2.7bn.

Employees

All employees continued to work from home as far as possible. Technical operations have been divided into teams working in shifts, the aim being to reduce the risk of spreading infection. Meetings and collaboration are largely taking place digitally and we are providing various forms of support to make it easier for employees to work from home. We carried out four surveys during the year, all of which reveal that our employees are coping relatively well, that working from home is effective, but that we miss meeting at the office.

Financing

Asset management and financing

Capital structure

Fabege's asset management activities are designed to generate the best long-term return for shareholders among property companies listed on Nasdaq Stockholm.

Financial targets at 31/12/2020

	Target	Result
Return on equity, %	¹⁾	7.8
Equity/assets ratio, %	>35	52
Interest coverage ratio, multiple	2.2	4.3
Loan-to-value ratio, %	<50	35
Debt ratio, multiple	13.0	13.2

¹⁾ The target for the return on equity includes being among the foremost publicly traded property companies.

Financing at 31/12/2020

	2020	2019
Interest-bearing liabilities, SEKm	26,669	26,414
of which outstanding MTN, SEKm	7,950	6,850
of which outstanding SFF, SEKm	1,524	2,085
of which outstanding commercial paper, SEKm	2,025	1,980
Undrawn committed credit facilities, SEKm	3,867	4,580
Fixed-term maturity, years	5.2	5.8
Fixed-rate period, years	4.1	4.5
Fixed-rate period, portion of portfolio, %	74	73
Derivatives market value, SEKm	-597	-368
Average interest expenses incl. committed credit facilities, %	1.77	1.8
Average interest expenses excl. committed credit facilities, %	1.67	1.72
Unpledged assets, %	36.5	28
Loan-to-value ratio, %	35	36

Green financing at 31/12/2020

	Credit facilities	Outstanding loans and bonds
Green MTN bonds, SEKm	7,950	7,950
Green bonds via SFF, SEKm	1,524	1,524
Green commercial paper, SEKm	5,000	2,025
Green loans, other, SEKm	21,066	15,170
Total green financing, SEKm	35,537	26,669
Proportion of green financing, %	100	100
Total green available borrowing facility, SEKm	56,916	
- of which unrestricted green available borrowing facility, SEKm	20,953	

- Access to long-term and stable financing is crucial for the business. At the end of 2020, bank financing accounted for 56 per cent of borrowings. Fabege had unutilised credit facilities of SEK 3.9bn. The average capital maturity period was 5.2 years.
- A high equity/assets ratio and low debt/equity ratio create security.
- The proportion of unpledged properties is continually increasing.

Financing at 31 Dec 2020



Commercial paper	6.6%
Bond loans	31.0%
Undrawn facilities	12.7%
Revolving loans	0.7%
Other loans	49.0%

Supply of capital



Shareholders' equity	52%
Interest-bearing liabilities	35%
Other liabilities	13%

Breakdown of collateral



Pledged assets	64.4%
Unpledged assets	35.6%

Debt management

The main task of Fabege's debt management activities is to ensure that the company continually maintains a stable, well-balanced and cost-efficient financial structure through borrowing from banks and capital markets. The company is striving for a balance between different forms of financing on both the capital and banking markets, with long-term relationships with the major financiers having high priority. At a time when more and more companies are opting to predominantly access financing on the capital market, Fabege has chosen to retain a significant portion of its borrowing in the form of bank financing, and the company is keen to continue nurturing the long-term relationships it has with the Nordic banks.

Dividends

Under its dividend policy, Fabege aims to pay a dividend to its shareholders comprising the part of the company's profit that is not required for the consolidation or development of the business. Under current market conditions, this means that the dividend is expected to sustainably account for at least 50 per cent of profit from continuous property management and realised gains from the sale of properties after tax.

Interest-bearing liabilities

Access to long-term and stable financing is crucial to the pursuit of a sustainable business in the long term. Fabege therefore values lasting and trusting relationships with its creditors. The company's lenders include the major Nordic banks and investors on the Swedish capital market.

Credit agreements with the banks to a certain extent enable the company to borrow funds as needed within a predetermined framework and terms. The company's objective is to refinance bank loans well in advance, at least one year prior to maturity. The company also endeavours to attain maturities that are as long as possible, at a reasonable cost.

At 31 December, unutilised credit facilities amounted to SEK 3,867m.

Sustainable financing

Fabege wants to ensure it has a responsible approach to business in all aspects. We consider this to be a prerequisite for achieving long-term profitability. This affects our ability to attract customers and also skilled staff, the value of our properties and the level of pride among our employees, our ability to handle future climate change and also the assessment of us by both analysts and equity and bond investors. Green financing is a natural extension of the sustainability efforts that are conducted throughout the organisation. It provides us with more responsible financing, as well as a broader investor base and trusting relationships with our capital providers.

Opportunities for various forms of sustainable financing have increased in recent years, a trend that Fabege welcomes and en-

courages to the greatest possible extent. All Fabege's financiers now offer green financing opportunities. In all cases, the financing relates to environmentally certified properties. The company also has previous green financing via the European Investment Bank, as well as green bonds via the green MTN programme and SFF. Green financing thus totals 100 per cent (84) of outstanding loans and credit facilities. Green financing offers Fabege better conditions both with banks and on the capital market, along with access to more sources of financing.

Green framework for financing, green MTN programme and green commercial paper programme

Fabège launched a new framework for green financing in June 2019. The purpose of the framework is to create a standard for green financing that can be used with a number of Fabège's various sources of funding. It is built on certified properties and ambitious targets regarding energy consumption. The 'Green Bond Principles' and Fabège's ambition to contribute to the targets according to the 2030 Agenda form the basis of the framework. CICERO issued a second opinion with ratings of 'medium green' for the green terms and conditions and 'excellent' for governance.

Fabège's existing green MTN programme, a new green commercial paper programme and a green back-up facility for the commercial paper programme have initially been linked to the new framework. Meanwhile, the MTN programme framework was raised to SEK 10,000m. The framework for the commercial paper programme remains at SEK 5,000m. As previously, the company guarantees access to unutilised credit facilities to cover all outstanding commercial paper at any given time.

Reports are available to investors each quarter, as well as in a more comprehensive form annually. Find out more and access links to prospectuses, frameworks, second opinions, feedback etc. at <https://www.fabège.se/en/about-fabège/financial-information/financing/green-financing/>

Taxonomy

Greater transparency and comparability regarding companies' sustainability work and carbon footprint is important, and Fabège therefore welcomes the EU's joint taxonomy initiative. Our ambition is to report in a way that is as transparent as possible, while also making it easier for our investors and their reporting requirements. In the autumn the company became actively involved in the proposals from the EU relating to the property industry, and offered feedback. We hope that a new proposal will shortly be announced so we can begin reporting as planned, at the latest in relation to the 2021 financial year.

Collateral

Fabège's borrowings have traditionally been primarily secured via mortgage deeds on properties, and to some extent shares in property-owning subsidiaries as well. As borrowing on the capital mar-

ket grows, the number of properties that are free from debt also increases. At year-end, the proportion was 36 per cent of the total property value. Some unsecured borrowing is also undertaken.

Covenants

Fabège's obligations concerning covenants are similar in the various credit agreements and stipulate, in addition to being listed on a stock market, an equity/assets ratio of at least 25 per cent and an interest coverage ratio of at least 1.5. At property level, the potential loan-to-value ratios amount to between 50 and 70 per cent, depending on the type of property and financing.

Fixed-rate period

The fixed-rate period is set using interest rate swaps. At year-end, Fabège's portfolio of fixed-income derivatives comprised interest rate swaps totalling SEK 17,150m with terms of maturity extending through 2030 and carrying fixed interest at annual rates of between -0.18 and 1.35 per cent before margins. The derivatives portfolio is measured at market value and the change in value is recognised in profit or loss. At 31 December 2020, the recognised deficit value of the portfolio was SEK 597m (367). The change in value is of an accounting nature and has no impact on the company's cash flow. At the due date, the market value of derivative instruments is always zero. Read more about interest-rate derivatives and the valuation thereof in Note 3 on page 66.

Shares and share capital

Fabège's share capital at year-end was SEK 5,097m (5,097), represented by 326,205,742 shares (330,783,144). All shares carry the same voting rights and entitle the holder to the same share of the company's capital. The quotient value is SEK 15.41 per share.

The following indirect or direct shareholdings in the company represent one tenth or more of the votes for all shares in the company:

Holdings, 31/12/2020	Percentage of votes, %
Erik Paulsson with his family, privately and through companies	15.6

Through Fabège's profit-sharing fund and the Wihlborgs and Fabège profit-sharing fund, the employees of Fabège own a total of 1,136,574 shares corresponding to 0.34 per cent of the company.

Acquisition and transfer of treasury shares

The 2020 AGM passed a resolution mandating the Board, not longer than up to the next AGM, to acquire and transfer shares in the company. Share buybacks are subject to a limit of 10 per cent of the total number of shares outstanding at any time. During the year, 4,577,402 shares were repurchased at an average price of SEK 118.16. At 31 December 2020, the company held 4,577,402 treasury shares, corresponding to 1.4 per cent of the number of registered shares.

Loan maturity structure at 31 Dec 2020

	Credit agreements, SEKm	Drawn, SEKm
Commercial paper programme	5,000	2,025
<1 year	1,310	900
1–2 years	11,412	8,512
2–3 years	3,900	2,618
3–4 years	3,850	2,550
4–5 years	1,555	1,555
5–10 years	3,706	3,706
10–15 years	3,550	3,550
15–20 years	1,253	1,253
Total	35,537	26,669

Interest rate maturity structure (incl. derivatives) at 31 Dec 2020

	Amount, SEKm	Average interest rate, %	Share, %
<1 year	6,844	3.86	26
1–2 years	1,000	0.02	4
2–3 years	2,150	0.96	8
3–4 years	2,900	0.74	11
4–5 years	2,600	0.97	10
5–6 years	2,700	0.84	10
6–7 years	2,800	1.00	10
7–8 years	3,276	1.57	12
8–9 years	2,000	0.60	7
9–10 years	400	0.19	1
Total	26,669	1.67	100

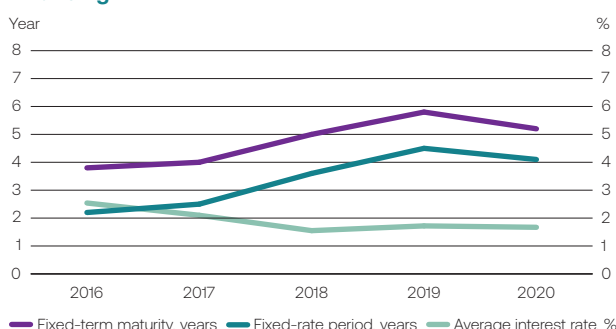
Finance policy

Financing operations are governed by the company's finance policy, which is established by the Board of Directors. The primary task of financial management is to ensure that the company always maintains stable, well-balanced and cost-efficient financing. The fixed-rate period must take account of the circumstances at any given time. Potential currency exposures must be minimised. The finance policy also states the counterparties that the company is permitted to deploy while governing the authority and delegation of responsibility for the organisation.

Liquidity

In a property company, liquidity varies significantly over a year, since rent payments are made quarterly while running costs are relatively evenly allocated over time. Since the type of revolving credit facility used by Fabege can be utilised as needed, it is extremely well adapted to operations and enables the avoidance of surplus liquidity.

Financing



Risks and opportunities

Fabège operates on the commercial property market in Stockholm and is affected by the performance of the Swedish economy, in particular the services sector. Fabège's risk exposure is limited and, to the extent possible, controlled in respect of properties, tenants, lease terms, financing terms and business partners. Risks and uncertainties relating to cash flow from operations relate primarily to changes in rents, vacancies and interest rates. Changes in the value of the property portfolio represent another uncertainty, as does access to financing. Fabège endeavours to be a sustainable and responsible company, which means managing risks associated

with such issues as climate impact, environmental impact, ethical conduct and human rights. In today's digitalised world, cyber threats and the risk of data leaks are also factors that we need to acknowledge and manage.

Overall responsibility for Fabège's risk management rests with the Board of Directors, while operative work has been delegated to the CEO and management.

To follow is a description of Fabège's view on, and management of a selection of significant risks that, if properly managed, also represent opportunities.

Categorisation of risks

	Likelihood	Consequence
Market and transactions		
Rental income – customer bad debts	●○○	●○○
Rental income – vacancy rate	○●○	●○○
Rental income – rent levels	●○○	●○○
The office of the future	○●○	○●○
Geographic concentration	●○○	●○○
Property expenses	○●○	○●○
Properties' operation and function	●○○	●○○
Projects – schedules and costs	○●○	○●○
Projects – unleased project space	●○○	●○○
Planning processes	○●○	○●○
Property values	○●○	○○●
Property acquisitions	○●○	○●○
Sales of properties	●○○	●○○
Financial		
Liquidity risk	○●○	○○●
Interest rate risk and valuation of fixed-income derivatives	○●○	○●○
Environment		
Contamination and environmental damage	●○○	○●○
Climate change	○●○	○●○
Carbon footprint – property management	●○○	●○○
Carbon footprint – projects	○●○	○●○

	Likelihood	Consequence
Tax		
Tax laws	○●○	○●○
Sustainable tax management	●○○	●○○
Ethics and anti-corruption		
Fraud, bribery, unethical conduct	●○○	○○●
Employees		
Workforce planning	●○○	●○○
Dependency on key individuals	○●○	○●○
Social conditions and respect for human rights		
Unacceptable working conditions, violations	●○○	○○●
Communication and cyber security		
Data leaks, stock market regulation breaches	●○○	○●○
Media, brand	●○○	○●○
Information security, infringement	○●○	○●○
System support availability	●○○	○●○

Likelihood: ● low ● medium ● high
Consequence: ● low ● medium ● high

MARKET AND TRANSACTIONS

Rental income and property expenses

With modern properties in prime locations, the risk of structural vacancies in Fabege's property portfolio is low. Vacancies that arise affect cash flow in the period it takes to re-let and potentially renovate vacant premises. Uncertainty on the office market in Stockholm has grown during the year due to the ongoing pandemic. Fabege reported a slight increase in the vacancy rate and negative net lettings for the year. The reduction in revenue during the year was entirely attributable to divested properties. In 2021, the company expects to see an increase in rental income resulting from completed project properties and continued increases in rent during re-negotiations.

Sensitivity analysis, cash flow and earnings	Change	Effect, SEKm
Rental income, total	±1%	28.1
Rent level, commercial income	±1%	27.1
Financial occupancy rate	±1 percentage point	33.4
Property expenses	±1%	6.9

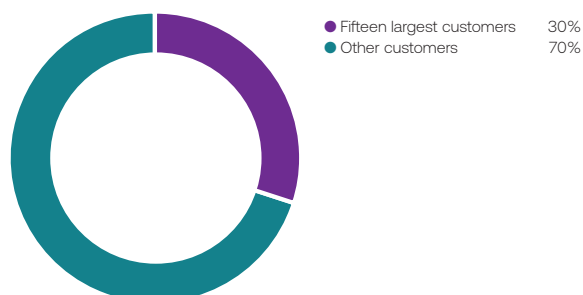
Risk	Assessment	Impact and management of risk, commentary 2020
Rental income – credit risk, bad debt losses	<p>L: ● C: ●</p> <p>The customers' ability to pay is affected by their stability and the general business climate. Under normal circumstances, the risk of cancelled payments and bad debt losses in Fabege's portfolio is low as we have stable customers and sound procedures in place. However, this risk has increased for companies in vulnerable industries that have been affected by the ongoing pandemic.</p>	<p>The lease portfolio is spread among many industries and companies of different sizes. The 25 largest tenants are all stable companies and comprise just over 43 per cent of the total rental value.</p> <p>The tenants are highly solvent and rent losses are historically small. This is due in part to favourable credit ratings and in part to efficient procedures that quickly identify late payers.</p> <p>We have maintained a close dialogue with all our tenants over the past year, particularly with tenants whose businesses have been severely affected by the pandemic. However, the rebates and deferrals that have been granted are limited in relation to Fabege's total rental portfolio.</p>
Rental income – vacancy rate	<p>L: ● C: ●</p> <p>We believe the risk of structural vacancies is low. However, larger individual terminations may have a limited financial impact in the short term.</p> <p>Changes in vacancy rates in the portfolio could have a delayed positive or negative impact on rental income.</p> <p>New production of office properties and demand for office premises affect rent levels and the vacancy rate.</p> <p>During the pandemic, we have seen a dramatic increase in digitalisation and working from home, and the future of the office is a topic of discussion. We believe that there will continue to be a need for offices as workplaces and meeting venues in the longer term, and that modern offices in attractive locations will be in particular demand.</p>	<p>The risk of increased vacancies in the investment property portfolio is deemed minor considering the portfolio's central locations, modern premises and stable customers.</p> <p>Faberge's portfolio generates stable cash flow from property management operations. The premises of development properties are kept vacant during development, which negatively impacts cash flow during the period. This is done consciously to create greater value over the long term.</p> <p>Faberge's vacancies are in modern properties in attractive locations and no vacancies are structural; it is mainly a matter of time before the right customer is found for the right property.</p> <p>The occupancy rate in the overall portfolio, including project properties, amounted to 91 per cent (94). In the investment property portfolio, the occupancy rate was 92 per cent (94). Rental growth in identical portfolios totalled 5 per cent during the year.</p>
Rental income – rent levels	<p>L: ● C: ●</p> <p>Market rents prevail in the Stockholm office market. Rent levels for offices in the Stockholm area have stabilised following several years of rising rents.</p> <p>We consider the risk of falling rent levels to be low in the short term. In the longer term, rent levels are affected by factors such as demand for offices premises and forthcoming new production, with a medium-high risk of significant variations in rent levels.</p>	<p>For a number of years now, demand for offices in Stockholm has been very strong, with rising rent levels. The pandemic has caused greater uncertainty, which has led to a more hesitant market.</p> <p>Since leases generally have terms of 3–5 years, changes in market rents gradually impact on rental income. In 2020, Faberge renegotiated a volume of approximately SEK 134m, resulting in an average increase of 20 per cent. We are of the opinion that renegotiations in the coming year will also contribute to an increased rental value, and we are not currently seeing any downward pressure on rent levels.</p>
The office of the future	<p>L: ● C: ●</p> <p>The pandemic has accelerated digital progress and opportunities to work from home. This is likely to have consequences in terms of demand for office workplaces in the future.</p>	<p>We have a presence in all our areas, and we enjoy a close dialogue with our customers. Ways of working and needs are constantly changing, which affects office design. We offer both new and existing customers support in identifying their needs and finding solutions. We provide flexibility, WAW workplaces and the opportunity to grow and downsize in attractive locations.</p>

Lease maturity structure

Year of maturity	No. of leases	Annual rent, SEKm	%
2021 ¹	575	534	18
2022	296	651	22
2023	242	357	12
2024	117	190	7
2025	77	263	9
2026+	79	801	27
Commercial	1,386	2,796	96
Housing leases	128	13	0
Garage and parking	778	109	4
Total	2,292	2,918	100

¹Of which just over SEK 186m has already been renegotiated for 2021.

Fifteen largest customers, contractual annual rent



MARKET AND TRANSACTIONS (cont.)

Risk	Assessment	Impact and management of risk, commentary 2020
Geographic concentration	<p>L: ● C: ●</p> <p>The company is affected by employment figures and trends in the Stockholm office market, because our property portfolio is concentrated to the Stockholm region.</p> <p>Given Stockholm's strong position, growth and heavily service-based industry structure, we deem the risk to be low.</p>	<p>Our strategy generates many benefits of scale and contributes to both an increase in net operating income and higher property values. With a focus on urban development in attractive locations, we are able to influence the appeal and supply available in the districts. We have a thorough knowledge of our submarkets and customer needs and demand.</p> <p>The population of Stockholm is continuing to grow, which indicates that there will also be greater demand for offices in the long term.</p>
Property expenses	<p>L: ● C: ●</p> <p>The risk of increased property costs is considered to be medium. Tax decisions, changes in market prices and seasonal variations affect our cost structure. Property tax and ground rent, where the potential to affect the size of the cost is limited, account for a large part of these expenses. Other expenses, including running costs, maintenance and tariff-based expenses such as electricity and heating depend on price levels and consumption.</p> <p>Expenses for the running and maintenance of properties are subject to seasonal variations. For example, cold and snowy winters give rise to higher costs for heating and snow clearance, while hot summers result in higher cooling costs.</p>	<p>Fabege pursues structured efforts to reduce its consumption of heating, electricity and water. We also conduct regular contract negotiations and procurements aimed at reducing costs. The operations organisation continuously focuses on cost effectiveness and capitalising on savings opportunities in order to create a sustainably secure cost base. A large portion of property expenses is paid for by tenants, thus reducing the company's exposure.</p> <p>Since the standard of the investment property portfolio is high, maintenance expenses are low.</p> <p>The surplus ratio in 2020 was 75 per cent.</p>
Properties' operation and function	<p>L: ● C: ●</p> <p>There are increasingly stringent requirements for efficient management from a customer perspective, financial perspective and in relation to environmental impact.</p> <p>The risk is deemed to be low for Fabege's portfolio as a whole, while for individual properties it can be high.</p>	<p>We have customer-oriented management and good system support for daily follow-up in running the properties and customer fault reports. We work with maintenance plans, environmental certifications and ambitious energy usage and waste management targets, etc.</p>

MARKET AND TRANSACTIONS (cont.)

Business Development and Projects

Fabege runs major urban development projects involving investment over a long period. This means the company is highly dependent on access to completed local development plans. We have a great deal of experience gained over many years in managing major new build and conversion projects. We do not envisage any significant risk of increasing construction costs. Increased

costs are largely related to adaptations for individual tenants combined with higher rent or more challenging foundations conditions. With our experience and the focus on letting the remaining non-leased project space, we are of the opinion that the risk of structural vacancy following completion is low.

Risk	Assessment	Impact and management of risk, commentary 2020
Schedules and costs	<p>L: ● C: ●</p> <p>Medium risk. Potential delays and increased costs in procurements can have significant consequences depending on the size of the projects.</p> <p>Risks in the project portfolio primarily pertain to risks related to scheduling and the cost level for the procurement of construction services. Due to its large project portfolio and annual investments of SEK 2–2.5bn, it is essential that Fabege manages these project risks optimally.</p>	<p>Fabege has pursued major new build and conversion projects. Each year, Fabege conducts project procurement processes involving significant amounts. Most project managers, who are highly experienced and skilled in project procurement, are responsible for these processes, and for running and following up large- and small-scale projects. Procurement work is performed with the support of framework programmes, framework agreements and agreement templates. Decisions regarding investments of SEK 25–50m are made by the CEO and Chairman together. Investment decisions relating to projects exceeding SEK 50m are made by the Board of Directors.</p> <p>The company believes that costs and schedules in the major ongoing projects will be met.</p> <p>Fabege's aim is for project investments to generate significant value growth.</p>
Unleased project space	<p>L: ● C: ●</p> <p>In connection with large-scale new builds, there is a risk that newly produced space will not be let. We believe the risk is low, since projects are pursued in attractive locations and there are very few speculative projects.</p>	<p>The occupancy rate of the projects was 82 per cent at year-end, which entails a low risk of vacancy on completion. Fabege does not normally launch speculative projects. Requirements regarding the percentage of customers that have to sign leases prior to the start-up of a project are decided based on the conditions and estimated risk of each individual project.</p>
Planning processes	<p>L: ● C: ●</p> <p>Medium-high risk as planning processes are usually prolonged and can be appealed.</p> <p>Planning processes are time-consuming and depend on the resources available to municipalities. There is a risk of delays in opportunities to utilise development rights.</p>	<p>Lead times for the planning processes are lengthy, averaging at over two years. We endeavour to maintain close cooperation with the municipalities concerned. We work with our own personnel, who are highly skilled and have considerable experience of working with planning issues.</p> <p>The portfolio contains just over 578,000 sqm of wholly-owned commercial development rights, of which 21 per cent are scheduled.</p> <p>The portfolio also contains 495,000 sqm of wholly-owned housing development rights, of which 18 per cent are scheduled.</p>

MARKET AND TRANSACTIONS (cont.)

Property values

As a result of low initial values for project properties and development rights, there is considerable potential for generating value through project investments. Improved cash flows will contribute to higher property values going forward. At the same time, the market's yield requirement is a factor that Fabège cannot influence. Fabège believes that property values in the company's markets will be stable in 2021.

Change in value, %	Impact on after-tax profit, SEKm	Equity/assets ratio, %	Loan-to-value ratio, %
+1	602	52.7	34.7
0	0	52.4	34.8
-1	-602	52.2	34.9

The table above shows the effect on earnings, equity/assets ratio and loan-to-value ratio of a 1 per cent change in the value of a property.

Sensitivity analysis, change in value	Assumption	Impact on value, SEKbn
Rent level	±10%	6.8
Running cost	±SEK 50/sqm	1.3
Yield requirement	±0.25%	4.9
Long-term vacancy rate	±2%	1.7

Risk	Assessment	Impact and management of risk, commentary 2020
Property values	<p>L: ● C: ●</p> <p>High risk as changes in rent levels, vacancies and yield requirements on the market can have a considerable impact on property valuations. The market price is also impacted by access to and the terms of financing.</p>	<p>The value of the property portfolio is affected by Fabège's leasing and customer structure, by the company's development of the property portfolio and by other external factors that determine demand. Our property portfolio, with stable customers and modern premises in prime locations, is made up of attractive investment objects even when the economy is not performing well. The persistent advancement of project and development properties will continue to generate value growth in the portfolio.</p> <p>Properties are recognised at fair value and changes in value are recognised in the statement of comprehensive income. Property value is determined according to generally accepted methods. At least 25 per cent of Fabège's portfolio has its value appraised externally at the end of each quarter. The value of the remaining properties is appraised internally based on the external valuations. Accordingly, the entire property portfolio is independently valued at least once a year.</p> <p>The combined year-end market value was SEK 76.6bn (74.3), corresponding to about SEK 61,000 per sqm (59,000).</p>

Transactions

Transactions are a significant part of Fabège's objective of constantly developing the potential of the property portfolio. The focus is on growth, but individual properties with limited future development potential may be put up for sale.

Acquisitions often relate to properties with some form of development potential through the creation of development rights, upgrading the standard, raising rent levels etc.

Risk	Assessment	Impact and management of risk, commentary 2020
Property acquisitions	<p>L: ● C: ●</p> <p>Medium risk for possible unknown factors such as future vacancies, environmental impact, and so on.</p>	<p>Property acquisitions are resolved on by the Board of Directors. Acquisitions are evaluated based on an established strategy and an assessment of opportunities to add future value to our areas. Fabège has well established procedures for due diligence processes.</p>
Property sales	<p>L: ● C: ●</p> <p>Low risk.</p> <p>Risk that properties are divested at a price that is too low.</p>	<p>Property sales are resolved on by the Board of Directors. Internal due diligence processes ensure that any measures required are managed. The properties are continually independently valued and Fabège has a clear understanding of current value and potential through continued development.</p>

FINANCIAL

Financing

Fabege has good access to financing via several different sources with both banks and the capital market. By interest-hedging 74 per cent of the loan portfolio, interest rate changes have limited impact on Fabege's borrowing costs.

Sensitivity analysis, cash flow and earnings ¹⁾	Change	Effect, SEKm
Interest expenses, rolling 12 months (incl. derivatives)	±1 percentage point	52 / 8
Interest expenses, long-term perspective	1 percentage point	266.7

¹⁾Due to the interest rate floor in credit agreements, Fabege is unable to take full advantage of negative interest rates, which is why the result is negative even in the event of a fall in the interest rate.

Risk	Assessment	Impact and management of risk, commentary 2020
Liquidity risk	<p>L: ● C: ●</p> <p>The liquidity risk refers to the borrowing requirement that can be covered by refinancing or new borrowing in a strained market scenario.</p> <p>The risk is deemed to be medium as the property industry is capital-intensive and requires a functioning capital market. Accordingly, access to financing via banks and the capital market is of considerable significance for Fabege's operations.</p>	<p>Fabege works with a number of alternative sources of financing and seeks extended fixed-term maturities and an even maturity structure. Long-term credit facilities, with fixed terms and conditions, and revolving credit facilities have been signed with lenders to reduce the liquidity risk.</p> <p>Renegotiations are always initiated well in advance. The objective is to eliminate maturities within the next 12 months. Any issues that may arise are identified at an early stage through Fabege's long-term relationships with its financial backers, built on mutual trust. Moody's credit rating of Baa2, stable outlook, is evidence of confidence and stable access to capital market financing.</p> <p>The average fixed-term maturity period at year-end was 5.2 years (5.8) and available unutilised facilities amounted to SEK 3.9bn (4.6).</p>
Interest rate risk and valuation of fixed-income derivatives	<p>L: ● C: ●</p> <p>Interest rate risk refers to the risk that changes in market interest rates will impact Fabege's borrowing costs.</p> <p>Interest expenses comprise Fabege's single largest cost item.</p> <p>The risk is considered to be medium as changes in market rates in the long term can have a significant impact on interest expenses.</p> <p>Fixed-income derivatives are measured at market value and changes in value impact profit and loss.</p>	<p>The fixed-rate period is based on the estimated interest rate trend, cash flow and capital structure in accordance with the company's finance policy. Fabege uses financial derivatives, primarily in the form of interest rate swaps.</p> <p>New interest-rate derivatives are preferably subscribed for with long maturities, in order to spread risk and ensure cash flow in the long term.</p> <p>The derivatives portfolio is valued based on external data. The fixed-rate term of the loan portfolio was about 4.1 years (4.5) at year-end.</p>

ENVIRONMENT AND CLIMATE

Environment and climate

The assessment is that climate change in itself does not constitute any major physical risk for Fabege at present, in view of the location of the property portfolio. Fabege has chosen to gradually adapt

accounting of potential physical climate risks and transition risks to the Task Force on Climate-related Financial Disclosures' (TCFD) recommendation.

Risk	Assessment	Impact and management of risk, commentary 2020
Contamination and environmental damage	<p>L: ● C: ●</p> <p>Low risk in light of the properties' standards and locations.</p> <p>Under the Swedish Environmental Code, commercial businesses are responsible for any contamination or other environmental damage, and for the remediation thereof.</p> <p>The Swedish Environmental Code also stipulates that even if a commercial business is unable to pay for the remediation of a property, the party who owns the property is responsible. Accordingly, Fabege could be subject to such remediation requirements.</p>	<p>Fabège deems this risk to be minor since its property portfolio primarily comprises commercial office premises. The company continuously investigates and identifies potential environmental risks in its property portfolio. Action plans are prepared for such risks arising.</p> <p>There were no incidents in 2020 resulting in material fines and no non-monetary sanctions pursuant to environmental legislation.</p>
Climate change	<p>L: ● C: ●</p> <p>Medium risk. Temperature changes and precipitation may raise costs.</p> <p>Transition risk: Higher price for greenhouse gas emissions/higher energy costs. Cost of switching to low-carbon building materials.</p> <p>Climate change is expected to result in physical risks such as temperature changes, rain, wind, flooding and levels of snow that could affect properties. Some of the more severe risks include extreme weather events. Furthermore, there are regulatory risks such as greater requirements concerning the carbon footprint of buildings and increased reporting requirements on carbon footprint.</p> <p>Other risks relate to higher prices for energy, materials, waste management, etc.</p>	<p>Several indicators in the BREEAM-SE and BREEAM In-Use certification systems include assessment criteria that aim to carry out flooding surveys and mitigate the impact of extreme weather events caused by climate change. Flooding from groundwater is prevented by changes to land gradients, embankments and pumping water from low areas.</p> <p>In general, Fabège works with thermal comfort to prevent increased risk of overheating. By generally minimising water consumption based on the building's actual component specifications, we also reduce water requirements during dry periods. We work with sustainability and resilience in the design of exposed building elements and areas of land to avoid an increased risk of material degradation and significant maintenance needs.</p>
Carbon footprint from property management	<p>L: ● C: ●</p> <p>Low risk as a large proportion of the portfolio is environmentally certified, and due to systematic efforts to reduce our carbon footprint.</p> <p>Increased requirements from customers and other stakeholders regarding efficiency and transparency.</p>	<p>For many years we have been working systematically to reduce our carbon footprint from energy consumption, waste management, refrigerants and business travel. By maximising energy efficiency, we are contributing to low carbon dioxide emissions resulting from decreasing energy demands. We are continually raising the bar in terms of our level of ambition. The aim is carbon neutral property management by the year 2030.</p> <p>The entire investment property portfolio has now been certified, mainly via the BREEAM systems.</p> <p>Further information is available in the Sustainability section on pages 100–133 of the Annual Report and in the Sustainability Report.</p>
Carbon footprint from projects	<p>L: ● C: ●</p> <p>High risk due to significant climate impact from transportation and materials during construction process.</p> <p>Increased requirements from customers and other stakeholders regarding efficiency and transparency.</p>	<p>All new-build projects are certified to BREEAM-SE standard with the aim of achieving 'Excellent'.</p> <p>We have begun the process of following up and measuring the carbon footprint from our projects from a life cycle perspective. Our project organisation works alongside the sustainability department on how to use new technology and more eco-friendly materials to reduce our climate impact.</p> <p>Further information is available in the Sustainability section on pages 100–133 of the Sustainability Report.</p>

TAX

Tax management

Changes to tax legislation and external confidence in Fabege as a good corporate citizen demands transparency and compliance with the relevant laws.

Risk	Assessment	Impact and management of risk, commentary 2020
Tax laws	L: ● C: ● Medium risk as changes in the area of tax can have a relatively significant financial impact. Changes to tax legislation have impacted corporate taxation, property tax, tax on property transactions and other relevant taxes. An investigation is underway into the withdrawal of stamp duty on transactions.	Fabege is monitoring developments. There are no specific proposals for changes at present.
Sustainable tax management	L: ● C: ● Stakeholder requirements for ethical tax management have increased. The risk of errors primarily concerns brand risk. We regard this risk as low for Fabege.	All Fabege's operations are pursued in Sweden and Fabege pays 100 per cent of its tax expense in Sweden. In 2016, the Board of Directors adopted Fabege's tax policy, which laid down guidelines on the company's tax management. The policy states that Fabege will follow all the relevant laws and regulations in the area of taxation, and that where regulations are unclear, Fabege will act transparently and exercise caution. Fabege will engage in tax management based on ethical, legal and professional principles and will abstain entirely from aggressive or advanced tax avoidance.

ETHICS AND ANTI-CORRUPTION

Ethics and anti-corruption

Faberge's Code of Conduct imposes requirements regarding how employees are expected to conduct themselves in our professional relationships. Policies and guidelines provide more detailed instructions. Through agreements and a specially adapted Code of Con-

duct for suppliers and business partners, Faberge requires them to undertake to comply with Faberge's zero tolerance of unethical behaviour.

Risk	Assessment	Impact and management of risk, commentary 2020
Fraud, bribery, unethical conduct	L: ● C: ● The risk is deemed to be low in light of our clear guidelines, procedures and our governing Code of Conduct. The construction industry is particularly exposed. Several operators are involved in Faberge's large-scale projects, and services/products are procured through subcontractors on a number of levels. Despite making clear requirements in all procurements, it is difficult to gain an overview of long supply chains, giving rise to a risk of activities that contravene Faberge's values.	Faberge does not accept any form of bribery, threats or unethical conduct. Ethical matters are a continual topic of internal discussion at staff meetings and conferences. Faberge established an ethical council several years ago, with specific responsibility for identifying and managing ethical issues internally. All employees are trained in our Code of Conduct and current bribery legislation. Faberge also has a whistleblower function, which can be used by employees and external individuals anonymously to report suspicions of unethical conduct. Cooperation with contractors is evaluated continuously and all strategic suppliers are examined by an independent company to ensure sustainable practices. All suppliers are also monitored by credit rating agencies, in order to quickly identify potential financial non-conformities and any changes in boards and management. Faberge is of the opinion that control of its first-line suppliers is adequate. Through agreements, suppliers undertake to comply with Faberge's Code of Conduct. If any non-conformities are uncovered, agreements can be terminated with immediate effect. We urge our first-line suppliers to monitor compliance by their subcontractors to ensure compliance throughout the supply chain.

EMPLOYEES

Employees

In relation to the property values it manages, Fabege has a relatively small workforce, including several uniquely skilled individuals. This can to a certain extent make the company vulnerable.

Risk	Assessment	Impact and management of risk, commentary 2020
Workforce planning	L: ● C: ● Low risk, however strong competition for certain job categories. As technical and digital developments progress, Fabege's personnel are required to have greater technical expertise. There is currently a shortage of this type of expertise on the market. There is strong competition for certain job categories, such as technical personnel and project managers.	Fabege invests time and effort in the company's shared core values, SPEAK, with the aim of being the industry's most attractive employer. We have established recruitment processes and we offer training to existing employees. Internal mobility is encouraged. One way of recruiting is via cooperation with educational institutions, in order to encourage interest in the company and the sector at an early stage.
Dependency on key individuals	L: ● C: ● Medium risk. Fabege has a relatively small workforce and certain key functions are dependent on individuals.	We always endeavour to ensure that there is backup in the form of staff who can cover for each other in the event of illness, for example. A certain amount of support can also be provided by consultants. When employees are travelling on business, individuals with similar skills always travel separately.

SOCIAL CONDITIONS AND RESPECT FOR HUMAN RIGHTS

Core values and Code of Conduct

Fabège's core values, SPEAK, determine the framework for desirable behaviour. This is supported by Fabège's Code of Conduct, along with more detailed policies and guidelines. Through agreements and a specially adapted Code of Conduct for suppliers and

business partners, Fabège requires that suppliers and other business partners undertake to comply with Fabège's zero tolerance of unacceptable working conditions and violations.

Risk	Assessment	Impact and management of risk, commentary 2020
Unacceptable working conditions, violations	L: ● C: ● Low risk in light of compliance with Swedish legislation and clear guidelines. Several operators are involved in Fabège's large-scale projects, and services/products are procured through subcontractors on a number of levels. Despite making clear requirements in all procurements, it is difficult to gain an overview of long supply chains, giving rise to a risk of activities that contravene Fabège's values.	Fabège does not accept any form of human rights violation or any other form of discriminatory treatment or unacceptable working conditions, whether internal or at one of our business partners. We conduct an annual employee survey that tells us how our employees are and how well their working conditions support their ability to perform. Fabège's core values, SPEAK, are a recurring theme for evaluation and discussion in connection with recruitment, performance reviews and staff conferences. Cooperation with contractors is evaluated continuously and all major suppliers are examined by an independent company to ensure sustainable practices. Fabège is of the opinion that control of its first-line suppliers is adequate. Through agreements, suppliers undertake to comply with Fabège's Code of Conduct. If any non-conformities are uncovered, agreements can be terminated with immediate effect. We urge our first-line suppliers to monitor compliance by their subcontractors to ensure compliance throughout the supply chain.

COMMUNICATION AND CYBER SECURITY

Information management

As a listed company, Fabege must keep abreast of current regulations regarding disclosure of information. Our increasingly digitalised world also imposes requirements for information to be managed correctly and in a way that inspires confidence.

Risk	Assessment	Impact and management of risk, commentary 2020
Data leaks, stock market regulation breaches	L: ● C: ● Low risk in light of established information management procedures.	Fabège has strict and well established procedures for information management, including policies and guidelines for communication and insider trading, as well as system support for insider information.
Media, brand	L: ● C: ● Low risk in light of established information management procedures and high transparency.	Fabège endeavours to behave ethically in accordance with our Code of Conduct. Our objective is to give swift feedback and be highly transparent when responding to questions from the media and other stakeholders.
Information security, infringement	L: ● C: ● Digitalisation and greater use of IT services constitute a medium risk. Physical access to our properties constitutes a risk. GDPR imposes requirements regarding information management.	Fabège works systematically with IT security issues, shell protection and pentests. Furthermore, training is given in cyber security and policies and guidelines to ensure employees and other stakeholders working in our IT environment are aware and equipped to manage risks. Fabège has one of the most effective forms of protection on the market against ransomware and malware attacks.
System support availability	L: ● C: ● The need for continual access to our systems is increasing both internally and from our customers.	Fabège has several solutions with redundancy for infrastructure, systems, services and personnel, all aimed at eliminating unintentional disruption to delivery and function.

Seasonal variations

Expenses for the running and maintenance of properties are subject to seasonal variations. For example, cold and snowy winters give rise to higher costs for heating and snow clearance, while hot summers result in higher cooling costs. Activity in the rental market is seasonal. Normally, more business transactions are completed in the second and fourth quarters, whereby net lettings in these quarters are often higher.

Outlook for 2021

Many question marks remain and there is a great deal of uncertainty regarding what 2021 has in store. We do not know how quickly the vaccination programme can be completed and how quickly the recovery can take place, or what the "new normal" will be post-pandemic.

Fabege enjoys a strong financial position, which means we are able to cope well even in difficult times, and also harness any opportunities that may arise. Several of our key performance indicators are stronger at the start of 2021 than they were in 2020. Our properties are modern, well-managed and situated in attractive locations. We have stable customers. Fabege's employees are motivated and capable. We are well prepared to take on the challenges and opportunities open to us on the market over the coming year.

PROPOSAL FOR THE DISTRIBUTION OF PROFITS

The following amount is at the disposal of the AGM:	SEK
Retained earnings	4,848,864,021
Profit for the year	404,225,514
Total	5,253,089,535

The Board of Directors and the Chief Executive Officer propose that the amount be allocated as follows:	SEK
A dividend of SEK 3.60 per share to the shareholders	1,174,340,671
To be carried forward	4,078,748,864
Total	5,253,089,535

The dividend amount is based on the total number of shares outstanding at 31 January 2021, i.e. 326,205,742 shares. The total dividend amount is subject to alteration up to and including the record date, depending on share buybacks.

Statement of the Board of Directors on the proposed dividend Grounds

The Group's equity has been calculated in compliance with IFRS standards as adopted by the EU, the interpretations of these (IFRIC) and Swedish law through the application of Recommendation RFR 1 Supplementary Accounting Rules for Corporate Groups of the Swedish Financial Reporting Board. The Parent Company's equity has been calculated in accordance with Swedish law, applying recommendation RFR 2 Accounting for Legal Entities of the Swedish Financial Reporting Board. The Board of Directors has established that the company will have full coverage for its restricted equity after the proposed dividend. The Board of Directors considers that the proposed dividend is defensible based on the criteria contained in the second and third paragraphs of Section 3 of Chapter 17 of the Swedish Companies Act (nature, scope and risks of the business, consolidation requirements, liquidity and other financial circumstances). The Board would like to make the following comments pertaining thereto:

Nature, scope and risks of the business

The Board estimates that the company's and the Group's equity after the proposed dividend will be sufficient in view of the nature and scope of the business and the associated risks. In drawing up its proposal, the Board has taken account of the company's and Group's equity/assets ratio, historical and budgeted performance, investment plans and the general economic environment.

Consolidation requirements

The Board of Directors has made a general assessment of the company's and the Group's financial position and ability to meet their obligations. The proposed dividend constitutes 8.7 per cent of the Parent Company's equity and 2.8 per cent of consolidated equity. The stated target for the Group's capital structure is a minimum equity/assets ratio of 35 per cent, and the Group will be able to maintain an interest coverage ratio of at least 2.2 even after the proposed dividend. In view of the current situation on the property market, the company and the Group have a good equity/assets ratio. In light of this, the Board considers that the company and the Group are in a good position to take advantage of future business opportunities and withstand any losses that may be incurred. Planned investments have been taken into account in the proposed dividend payment. Nor will the dividend have any significant impact on the company's or the Group's ability to make further commercially motivated investments in accordance with the adopted plans. In the Parent Company, some assets and liabilities have been measured at fair value in accordance with Chapter 4, Section 14 of the Swedish Annual Accounts Act.

The impact of this valuation, which affected equity in the Parent Company by SEK -487m (-304), has been taken into account.

Liquidity

The proposed dividend will not affect the company's and the Group's ability to meet payment obligations in a timely manner. The company and the Group have good access to liquidity reserves in the form of short- and long-term credit. Agreed credit lines can be drawn at short notice, which means that the company and the Group are well prepared to manage variations in liquidity and any unexpected events.

Other financial circumstances

The Board of Directors has assessed all other known circumstances that may be significant for the company's and the Group's financial position and that have not been addressed in the above. No circumstance has been discovered in the course of the assessment that would cast doubt on the defensibility of the proposed dividend.



Group

Statement of comprehensive income

SEK million	Note	2020	2019
Rental income	5, 7	2,806	2,856
Property expenses	8	-694	-712
Net operating income		2,112	2,144
Central administration and marketing	9	-93	-85
Profit from other securities and receivables that are non-current assets	11	9	3
Interest income	12	7	4
Profit from interests in associated companies	17	-53	-34
Interest expenses	12	-478	-472
Ground rent	35	-30	-28
Profit/loss from Property Management	1-6, 16, 44	1,474	1,532
Realised changes in value, investment properties	10, 15	49	-
Unrealised changes in value, investment properties	10, 15	2,715	5,743
Unrealised changes in value, fixed-income derivatives	3, 27	-229	-235
Changes in value, equities	11, 13	-2	-6
Profit/loss before tax		4,007	7,034
Current tax	14	24	27
Deferred tax	14	-864	-1,055
Profit for the year		3,167	6,006
Items that will not be restated in profit or loss			
Revaluation of defined benefit pensions		-1	-16
Total comprehensive income for the year		3,166	5,990
Of which attributable to the minority		0	-33
Total comprehensive income attributable to Parent Company shareholders		3,166	5,957
Earnings per share for the year before and after dilution, SEK		9.65	18.16
Number of shares at end of period, million		326.2	330.8
Average number of shares, million		328.3	330.8

Group

Statement of financial position

SEK million	Note	2020	2019
ASSETS			
Investment properties	15	76,648	74,250
Right-of-use asset, leasehold	35	897	942
Equipment	16	15	6
Interests in associated companies and joint ventures	17	133	133
Receivables from associated companies	18	868	559
Other long-term securities holdings	19	6	8
Derivatives	27	20	58
Other non-current receivables	20	102	110
Total non-current assets		78,689	76,066
Trade receivables	21	53	41
Other receivables	22	14	52
Prepaid expenses and accrued income		282	225
Short-term investments		108	134
Cash and cash equivalents	36	20	24
Total current assets		477	476
TOTAL ASSETS		79,166	76,542
EQUITY AND LIABILITIES			
Share capital		5,097	5,097
Other contributed capital		3,017	3,017
Retained earnings incl. comprehensive income for the year		33,428	31,879
Non-controlling interests		0	75
Total shareholders' equity	24	41,542	40,068
Interest-bearing liabilities	25, 26, 32	23,744	21,849
Lease liability	35	897	942
Derivatives	27	617	426
Deferred tax liabilities	28	8,288	7,431
Provisions	29	183	180
Total non-current liabilities		33,729	30,828
Interest-bearing liabilities	25, 26, 32	2,925	4,565
Trade payables	30	41	95
Provisions	29	0	2
Tax liabilities	14	19	41
Other liabilities		72	155
Accrued expenses and deferred income	31	838	788
Total current liabilities		3,895	5,646
TOTAL EQUITY AND LIABILITIES		79,166	76,542

Group

Statement of changes in equity

SEK million	Share capital	Other contributed capital	Retained earnings incl. profit/loss for the year	Total equity attributable to Parent Company shareholders	Non-controlling interests	Total shareholders' equity
Opening balance, 1 January 2019	5,097	3,017	26,799	34,913	51	34,964
Profit for the year			5,973	5,973	33	6,006
Other comprehensive income			-16	-16		-16
Total income and expenses for the period			5,957	5,957	33	5,990
TRANSACTIONS WITH SHAREHOLDERS						
Cash dividend			-876	-876	-10	-886
Total transactions with shareholders			-876	-876	-10	-886
Closing balance, 31 December 2019	5,097	3,017	31,880	39,993	74	40,068
Opening balance, 1 January 2020	5,097	3,017	31,880	39,993	74	40,068
Profit for the year			3,167	3,167	0	3,167
Other comprehensive income			-1	-1		-1
Total income and expenses for the period			3,166	3,166	0	3,166
TRANSACTIONS WITH SHAREHOLDERS						
Cash dividend			-1,050	-1,050	0	-1,050
Share buybacks			-541	-541		-541
Acquisition of minority interests			-26	-26	-74	-100
Total transactions with shareholders			-1,617	-1,617	-74	-1,691
Closing balance, 31 December 2020	5,097	3,017	33,429	41,542	0	41,542

Group

Statement of cash flows

SEK million	Note	2020	2019
OPERATING ACTIVITIES			
Net operating income		2,112	2,143
Central administration		-93	-85
Reversal of depreciation		4	1
Interest received		16	9
Interest paid	33	-550	-556
Income tax paid		24	27
Cash flow before change in working capital		1,513	1,539
CHANGE IN WORKING CAPITAL			
Change in current receivables		-34	304
Change in current liabilities		-130	174
Total change in working capital	34	-164	478
Cash flow from operating activities		1,349	2,017
INVESTING ACTIVITIES			
Investments in new builds, extensions and conversions		-1,826	-2,518
Acquisition of properties		-1,370	0
Divestment of properties		3,589	1,685
Other non-current financial assets		-411	-437
Cash flow from investing activities		-18	-1,270
FINANCING ACTIVITIES			
Dividend to shareholders	3	-1,050	-877
Share buybacks		-541	-
Raised borrowings		10,117	23,376
Repayment of debts ¹⁾		-9,861	-23,237
Cash flow from financing activities		-1,335	-738
Cash flow for the period		-4	9
Cash and cash equivalents at beginning of period	36	24	15
Cash and cash equivalents at end of period	36	20	24

¹⁾ Fabege presents repayment and raised borrowings pertaining to other liabilities besides those for which overnight processing is applied. However, this only affects gross amounts and not the total cash flow from financing activities during each period. The company's daily overnight borrowing is not reported gross, and is always zero at year-end. For information regarding significant changes to the company's financing, please refer to page 46 in the Directors' Report.

Parent Company Profit and loss accounts

SEK million	Note	2020	2019
Net sales	40	320	315
Operating expenses	41	-351	-356
Operating profit/loss	1-3, 6, 16, 44	-31	-41
Profit/loss from shares and participations in Group companies	42	0	0
Profit from other securities and receivables that are non-current assets	11, 13	-2	-2
Changes in value, fixed-income derivatives	3, 27	-229	-235
Interest income	12	516	466
Interest expenses	12	-486	-481
Appropriation	42	588	3,639
Profit/loss before tax		356	3,346
Current tax	14		0
Deferred tax	14	48	53
Profit for the year		404	3,399

No statement of comprehensive income has been prepared because the Parent Company has no transactions that should be included in other comprehensive income.

Parent Company Balance sheet

SEK million	Note	2020	2019
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment			
Equipment	16	2	2
Total property, plant and equipment		2	2
Non-current financial assets			
Shares and participations in Group companies	42	12,517	12,516
Interests in associated companies	17	4	2
Receivables from associated companies	18	0	10
Receivables from Group companies	23	44,188	43,867
Other long-term securities holdings	19	9	11
Derivatives	27	20	58
Deferred tax assets	28	234	185
Total non-current financial assets		56,972	56,646
TOTAL NON-CURRENT ASSETS		56,974	56,648
CURRENT ASSETS			
Current receivables			
Tax assets		4	3
Other receivables		4	540
Prepaid expenses and accrued income		100	99
Total current receivables		108	642
Cash and cash equivalents	36	1	11
TOTAL CURRENT ASSETS		109	653
TOTAL ASSETS		57,083	57,301
EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted shareholders' equity			
Share capital		5,097	5,097
Statutory reserves/Share premium account		3,166	3,166
Unrestricted equity			
Retained earnings		4,850	3,042
Profit for the year		404	3,399
Total shareholders' equity		13,517	14,704
Provisions			
Provisions for pensions	29	70	70
Total provisions		70	70
Non-current liabilities			
Interest-bearing liabilities	25, 26, 32	22,216	21,349
Derivatives	27	617	426
Liabilities to subsidiaries		17,533	17,560
Total non-current liabilities		40,366	39,335
Current liabilities			
Interest-bearing liabilities	25, 26, 32	2,925	2,980
Trade payables		3	1
Other liabilities		62	82
Accrued expenses and deferred income	31	140	129
Total current liabilities		3,130	3,192
TOTAL EQUITY AND LIABILITIES		57,083	57,301

Parent Company Statement of changes in equity

SEK million	Note	Share capital	Statutory reserves	Unre- stricted equity	Total share- holders' equity
	24				
Shareholders' equity					
31 December 2018		5,097	3,166	3,918	12,181
Profit for the year				3,399	3,399
Total income and expenses for the period				3,399	3,399
Cash dividend				-876	-876
Shareholders' equity					
31 December 2019		5,097	3,166	6,441	14,704
Profit for the year				404	404
Total income and expenses for the period				404	404
Cash dividend				-1,050	-1,050
Treasury share buybacks				-541	-541
Shareholders' equity					
31 December 2020		5,097	3,166	5,254	13,517

Parent Company Cash flow statements

SEK million	Note	2020	2019
OPERATING ACTIVITIES			
Operating loss excl. depreciation		-31	-41
Interest received		516	466
Interest paid		-486	-481
Income tax paid		-	-
Cash flow before change in working capital		-1	-56
Change in working capital			
Current receivables		534	-31
Current liabilities		-10	-33
Total change in working capital	34	524	-64
Cash flow from operating activities		523	-120
INVESTING ACTIVITIES			
Other non-current financial assets		-398	-3,207
Cash flow from investing activities		-398	-3,207
FINANCING ACTIVITIES			
	3		
Dividends paid		-1,050	-876
Group contributions received and paid		644	3,648
Raised borrowings		9,092	23,376
Repayment of debts		-8,280	-22,811
Treasury share buybacks		-541	-
Cash flow from financing activities		-135	3,337
Change in cash and cash equivalents		-10	10
Cash and cash equivalents at beginning of period	36	11	1
Cash and cash equivalents at end of period	36	1	11

Notes

Note 1 General Information

Fabege AB (publ), company registration number 556049-1523, with registered office in Stockholm, is the Parent Company of a corporate group with subsidiary companies, as stated in Note 42. The company is registered in Sweden and the address of the company's head office in Stockholm is: Fabege AB, Box 730, SE-169 27 Solna. Visiting address: Pyramidvägen 7. Fabege is one of Sweden's leading property companies, with a business that is concentrated to the Stockholm region. The company operates through subsidiaries and its property portfolio consists primarily of commercial premises.

Note 2 Accounting policies

The consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act, International Financial Reporting Standards (IFRS), as adopted by the EU, and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), at 31 December 2018. The Group also applies Recommendation RFR 1 (Supplementary Accounting Rules for Corporate Groups) of the Swedish Financial Reporting Board, which specifies the additions to IFRS disclosures that are required under provisions contained in the Swedish Annual Accounts Act. The annual accounts of the Parent Company have been prepared in accordance with the Annual Accounts Act, Recommendation RFR 2 Accounting for Legal Entities of the Swedish Financial Reporting Board and statements issued by the Swedish Financial Reporting Board. The Parent Company's accounts comply with the Group's policies, except in respect of what is stated below in the section entitled 'Differences between the accounting policies of the Group and the Parent Company'. Items included in the annual accounts have been stated at cost, except in respect of revaluations of investment properties and in respect of financial instruments measured at fair value. The following is a description of significant accounting policies that have been applied.

Differences between the accounting policies of the Group and the Parent Company

The financial statements of the Parent Company have been prepared in accordance with the Annual Accounts Act, Recommendation RFR 2 Accounting for Legal Entities of the Swedish Financial Reporting Board and statements issued by the Swedish Financial Reporting Board. Tax laws in Sweden allow companies to defer tax payments by making allocations to untaxed reserves in the balance sheet via the income and expense item appropriations. In the consolidated balance sheet these are treated as temporary differences, i.e. a breakdown is made between deferred tax liability and equity. Changes in untaxed reserves are recognised in the consolidated statement of comprehensive income and broken down into deferred tax and profit for the year. Interest during the period of construction that is included in the cost of the building is only recognised in the consolidated financial statements. Group contributions paid and received are recognised in profit or loss as an appropriation.

New and amended standards and interpretations that come into effect from 1 January 2020 onwards

The Group applies the same accounting policies and valuation methods as in the latest annual report. Other new or revised IFRS standards or other IFRIC interpretations that came into effect after 1 January 2020 have not had any material impact on consolidated financial statements. The company has received government support in the form of the rent support package, which is recognised as rental income. Support received is recognised in profit or loss in the same period as the decline in income, in the form of rent rebates, for which the support is intended, to the extent it is deemed reasonably likely that the conditions have been satisfied and the support has been received/will be received. There are no contingent liabilities linked to the government support. The Group has not received any other forms of government support. The Group has not prepared annual accounts for 2020 in accordance with ESEFD.

Changes to Swedish regulations

Changes in 2020 have not had any material impact on Fabege's financial statements, except for a slight increase in disclosure requirements.

Parent Company's accounting policies

Amended accounting policies

The amendments to RFR 2 Accounting for Legal Entities that came into effect and apply to the 2020 financial year have not had any material impact on the Parent Company's financial statements for 2020.

Amendments to RFR 2 that have not yet come into effect

Management's assessment is that other changes to RFR 2 that have not yet come into effect, and that apply as of 1 January 2020, will not have any material impact on the Parent Company's financial statements when they are applied for the first time.

Note 3 Financial instruments and financial risk management

Supply of capital

Because Fabege aims to have a strong financial position, the balance between shareholders' equity and borrowed capital is a key issue for the company. The company's objective is to achieve an equity/assets ratio of at least 35 per cent and an interest coverage ratio of at least 2.2.

Fabege's supply of capital largely derives from three sources: shareholders' equity, interest-bearing liabilities and other liabilities. On the balance sheet date, shareholders' equity amounted to SEK 41,542m (40,068), interest-bearing liabilities to SEK 26,669m (26,414) and other liabilities to SEK 10,955m (10,060). Fabege's obligations concerning covenants are similar in the various credit agreements and stipulate, in addition to being listed on a stock market, an equity/assets ratio of at least 25 per cent and an interest coverage ratio of at least 1.5. At property level, the loan-to-value ratios from a mortgaging perspective vary between 50 and 70 per cent, depending on the type of property and financing.

Financial targets	Long-term targets	Outcome 31/12/20	Outcome 31/12/19
Return on equity, %	¹⁾	7.8	16.0
Equity/assets ratio, %	minimum 35	52	52
Interest coverage ratio, multiple	at least 2.2	4.3	4.4
Debt ratio, multiple (long term)	max. 13	13.2	12.8
Loan-to-value ratio, %	max. 50	35	36

¹⁾ The target for the return on equity includes being among the foremost publicly traded property companies.

Principles for financing and financial risk management

As a net borrower, Fabege is exposed to financial risks. In particular, Fabege is exposed to financing risk, interest risk and credit risk. Operational responsibility for the Group's borrowing, liquidity management and financial risk exposure rests with the finance function, which is a central unit in the Parent Company. Fabege's finance policy, as adopted by the Board of Directors, specifies how financial risks are to be managed and imposes limits on the activities of the company's finance function. Fabege aims to limit its risk exposure and, as far as possible, control the exposure with regard to choice of investments, tenants and contract terms, financing terms and business partners.

Financing and liquidity risk

Financing and liquidity risk is defined as the borrowing requirement that can be covered in a tight market. The borrowing requirement can refer to refinancing of existing loans or new borrowing.

Fabege strives to ensure a balance between short-term and long-term borrowing, distributed across several different sources of funding. Fabege's financial policy states that unused credit facilities must be available to ensure good liquidity. Agreements on committed long-term credit lines with defined terms and conditions and revolving credit facilities have been concluded with a number of major lenders. Fabege's main credit providers are the Nordic commercial banks and the capital market. The Group's bank borrowing is secured mainly by mortgages on properties.

The table on the following page (page 67) shows the Group's maturity structure for financial liabilities. The amounts shown are contractual undiscounted cash flows and include both interest and nominal amounts. Liquidity flows pertaining to derivative instruments are shown in net amounts. Other liabilities are current and mature within one year.

The average year-end loan-to-value ratio was 35 per cent (36). Fabege has a commercial paper programme of SEK 5,000m. At year-end, outstanding commercial paper amounted to SEK 2,025m (1,980). Fabege has available long-term credit facilities covering all outstanding commercial paper at any given time. At year-end, Fabege had unused credit facilities of SEK 3,867m, excluding the commercial paper programme. In 2016, Fabege established an MTN programme of SEK 2bn subject to special conditions with regard to sustainability and the environment. The programme was increased to SEK 5bn, SEK 8bn and SEK 10bn between 2017 and 2020.

Note 3 continued

Loan maturity structure, 31 December 2020

Year, due	Loan commitment amount, SEKm	Amount drawn, SEKm
Commercial paper programme	5,000	2,025
<1 year	1,310	900
1–2 years	11,412	8,512
2–3 years	3,900	2,618
3–4 years	3,850	2,550
4–5 years	1,555	1,555
5–10 years	3,706	3,706
10–15 years	3,550	3,550
15–20 years	1,253	1,253
Total	35,537	26,669

Maturity breakdown

The table below gives a maturity breakdown for financial liabilities (excl. derivatives). This information shows that the proportion of extended financing has been gradually increased in 2020 as part of a strategy to extend the company's fixed-term maturities and financial strength. The amounts in these tables are not discounted values and where applicable they also include interest payments, which means that it is not possible to reconcile all these amounts with the amounts recorded in the balance sheets. Interest payments are established based on prevailing conditions on the balance sheet date.

The Group's borrowing agreements do not include any special conditions that could mean that the payment date is significantly earlier than what is stated in the tables.

	Within 3 months	3–12 months	1–5 years	Over 5 years	Total
31/12/2020					
Liabilities to credit institutions	0	0	6,661	8,509	15,170
Liabilities to capital market	1,775	1,150	8,574	0	11,499
Trade payables	41	–	–	–	41
Other current liabilities	72	–	–	–	72
Total	1,888	1,150	15,235	8,509	26,782

31/12/2019

Liabilities to credit institutions	0	0	6,050	9,449	15,499
Liabilities to capital market	2,405	2,160	6,050	300	10,915
Trade payables	95	–	–	–	95
Other current liabilities	72	–	39	44	155
Total	2,572	2,160	12,139	9,793	26,664

Liquidity flows

Year	SEKm	Calculated at 31/12/2020				Calculated at 31/12/2019			
		Loan maturity	Interest on loans	Interest on derivatives	Total	Loan maturity	Interest on loans	Interest on derivatives	Total
2020						–4,565	–313	–131	–5,009
2021		–2,925	–288	–136	–3,349	–1,150	–276	–131	–1,557
2022		–8,512	–223	–135	–8,870	–7,000	–223	–130	–7,354
2023		–2,618	–159	–133	–2,910	–2,400	–162	–128	–2,690
2024		–2,550	–130	–121	–2,801	–1,550	–137	–117	–1,804
2025		–1,555	–106	–103	–1,765	–1,239	–119	–98	–1,456
2026		0	–106	–79	–186	0	–119	–78	–197
2027		0	–106	–55	–162	0	–119	–53	–172
2028		–2,626	–82	–24	–2,732	–2,626	–93	–22	–2,742
2029		–1,080	–61	–4	–1,146	–1,080	–69	–4	–1,153
2030		0	–61	0	–61	0	–69	0	–69
2031		–63	–55	0	–117	–63	–62	0	–125
2032		–698	–50	0	–748	–698	–57	0	–755
2033		–297	–45	0	–342	–297	–51	0	–348
2034		–2,492	–29	0	–2,521	–2,492	–32	0	–2,525
2035–38		0	–114	0	–114	0	–130	0	–130
2039		–1,253	–7	0	–1,260	–1,253	–8	0	–1,261
		–26,669	–1,623	–792	–29,084	–26,414	–2,040	–893	–29,347

To calculate liquidity flows for loans, and for the variable features of interest rate swaps, the implied Stockholm Interbank Offered Rate (STIBOR) has been used on the balance sheet date. The assumption is that loan liabilities outstanding and credit margins up to maturity of the various loans, at which point it is assumed that final repayment has occurred, are the same as those applying at the balance sheet date. In addition to the above we have ground rents; the outflow currently amounts to SEK 30m.

Interest rate risk

Interest risk refers to the risk that changes in interest rates will affect the Group's borrowing expense. Interest expenses constitute the Group's single largest expense item. Under the Group's finance policy, the company aims to fix interest rates based on forecast interest rates, cash flows and capital structure. Fabège employs financial instruments, in the form of interest rate swaps, to limit the interest rate risk and flexibly adjust the average fixed-rate term of the loan portfolio. The sensitivity analysis in the Directors' Report shows how the Group's short-term and long-term earnings are affected by a change in interest rates. Interest-bearing liabilities at 31 December were SEK 26,669m (26,414), with an average interest rate of 1.67 per cent (1.72), excluding the cost of committed lines of credit, or 1.77 per cent (1.80) including this cost. Outstanding commercial paper accounted for SEK 2,025m (1,980) of total liabilities. During the year, interest expense totalling SEK 27m (18) relating to project properties was capitalised.

The average maturity was 5.2 years (5.8). The average fixed-rate period for Fabège's debt portfolio was 4.1 years (4.5), including the effects of derivative instruments. The average fixed-rate period for variable interest loans was 90 days. Fabège's derivatives portfolio comprised interest rate swaps totalling SEK 17,150m with terms of maturity extending through 2030 and carrying fixed interest at annual rates of between –0.18 and 1.35 per cent before margins. Interest rates on 64 per cent of Fabège's loan portfolio were fixed using fixed-income derivatives. The total proportion of loans carrying fixed interest amounted to 74 per cent. The derivatives portfolio is measured at market value and the change in value is recognised in the profit and loss account. At 31 December, the recognised negative fair value adjustment of the portfolio was SEK 597m (367). The derivatives portfolio is measured at the present value of future cash flows. The change in value is of an accounting nature and has no impact on the company's cash flow. At the due date, the market value of derivative instruments is always zero. Unrealised changes in value in net profit for the year amounted to SEK –229m (–235). Changes in market value arise as a result of changes in the market rate. For all other financial assets and liabilities, unless otherwise stated in the notes, the carrying amount is deemed to be a good approximation of fair value. Net financial items include other financial expenses of SEK 27m (33), mainly pertaining to accrued opening charges for credit agreements and costs relating to bond and commercial paper programmes. Interest expenses linked to the liabilities are incurred over the course of the remaining fixed-term maturity. Trade payables and other current liabilities mature within 365 days of the balance sheet date. Fabège's obligations arising from these financial liabilities are largely met by rent payments from tenants, most of which are payable on a quarterly basis.

Note 3 continued

Interest rate maturity structure, 31 December 2020

Year, due	SEKm	Average interest rate, %	Share, %
<1 year ¹⁾	6,844	3.86	26
1–2 years	1,000	0.02	4
2–3 years	2,150	0.96	8
3–4 years	2,900	0.74	11
4–5 years	2,600	0.97	10
5–6 years	2,700	0.84	10
6–7 years	2,800	1.00	10
7–8 years	3,276	1.57	12
8–9 years	2,000	0.60	7
9–10 years	400	0.19	1
Total	26,669	1.67	100

¹⁾ The average interest rate for the <1 year period includes the margin for the entire debt portfolio because the company's fixed-rate period is primarily established using interest rate swaps, which are traded without margins.

Currency risk

Currency risk refers to the risk that Fabege's profit and loss account and balance sheet will be negatively affected by a change in exchange rates. The only currency risk to which Fabege is exposed concerns purchases from foreign suppliers for certain major projects. The currency risk is deemed to be limited, and it is managed using currency hedging.

Credit risk

Credit risk is the risk of loss as a result of the failure of a counterparty to fulfil its obligations. The risk is mitigated by the requirement, contained in the company's finance policy, that only creditworthy counterparties be accepted in financial transactions. Credit risk arising from financial counterparties is limited via netting/ISDA agreements and by spreading across different financing sources and maturities. At year-end, credit risk is deemed to be adequately managed. The company also assesses creditworthiness in respect of any promissory note receivables arising from the sale of properties and businesses, as well as concerning loans to associated companies. The maximum credit exposure in respect of all financial assets is the carrying amount.

As regards trade receivables, the policy states that customary credit checks must be carried out before a new tenant is accepted. The expected credit losses for trade receivables are calculated with the help of a matrix based on previous events, current conditions and forecasts regarding future financial conditions.

Offsetting note

	Amounts recognised in the balance sheet	Collateral	Financial agreements	Net
Assets				
Derivatives	20	0	-20	0
Liabilities				
Derivatives	-617	0	20	-597
Total	-597	0	0	-597

Parent Company

Responsibility for the Group's external borrowing normally rests with the Parent Company. The company uses the funds raised to finance the subsidiaries on market terms.

Reconciliation of liabilities attributable to financing activities (Group)

		Cash flow from financing activities	Changes not affecting cash flow	
	CB 2019		Change in fair value	CB 2020
Non-current interest-bearing liabilities	21,849	1,895		23,744
Current interest-bearing liabilities	4,565	-1,640		2,925
Interest rate swaps, fair value hedging	367		230	597
Total liabilities attributable to financing activities	26,781	255	230	27,266

Reconciliation of liabilities attributable to financing activities (Parent Company)

		Cash flow from financing activities	Changes not affecting cash flow	
	CB 2019		Change in fair value	CB 2020
Non-current interest-bearing liabilities	21,349	871		22,220
Current interest-bearing liabilities	2,980	-55		2,925
Raised borrowings		4,343		
Repayment of debts		-3,527		
Interest rate swaps, fair value hedging	367		230	597
Total liabilities attributable to financing activities	24,696	1,632	230	25,742

Note 3 continued

SEKm, 31/12/2020	Financial assets measured at amortised cost (hold to collect)		Financial assets measured at fair value in profit or loss (other)		Financial liabilities measured at amortised cost		Carrying amount	
	Group	Parent Company	Group	Parent Company	Group	Parent Company	Group	Parent Company
Financial assets								
Receivables from Group companies		44,188						44,188
Receivables from associated companies	868						868	
Other long-term securities holdings			6	9			6	9
Other non-current receivables	102						102	
Trade receivables	53						53	
Derivatives			20	20			20	20
Other receivables	14	4					14	4
Accrued income	283	100					283	100
Short-term investments			108				108	
Cash and cash equivalents	20	1					20	1
	1,340	44,293	134	29	0	0	1,474	44,322
Financial liabilities								
Liabilities to subsidiaries						17,533		17,533
Interest-bearing liabilities					26,669	25,145	26,669	25,145
Derivatives			617	617			617	617
Trade payables					41	3		
Other current liabilities					72	62		
Accrued expenses			92	90				
	0	0	709	707	26,782	42,743	27,286	43,295

Net profit/losses from financial assets and financial liabilities by measurement category in accordance with IFRS 9 are detailed in the table below

SEKm, 2020	Financial assets measured at amortised cost (hold to collect)		Financial assets measured at fair value in profit or loss (other)		Financial liabilities measured at amortised cost		Carrying amount	
	Group	Parent Company	Group	Parent Company	Group	Parent Company	Group	Parent Company
Operating profit/loss								
Operating income and expenses								
	0	0	0	0	0	0	0	0
Net financial items								
Interest income	16	516					16	516
Interest expenses					-475	-486	-475	-486
Changes in value, derivatives			-229	-229			-229	-229
Changes in value, equities			-2	-2			-2	-2
	16	516	-231	-231	-475	-486	-690	-201

Financial assets and liabilities by measurement category

SEKm, 31/12/2019	Financial assets measured at amortised cost (hold to collect)		Financial assets measured at fair value in profit or loss (other)		Financial liabilities measured at amortised cost		Carrying amount	
	Group	Parent Company	Group	Parent Company	Group	Parent Company	Group	Parent Company
Financial assets								
Receivables from Group companies		43,865						43,865
Receivables from associated companies	559						559	
Other long-term securities holdings			8	11			8	11
Other non-current receivables	111						111	
Trade receivables	41						41	
Derivatives			58	58			58	58
Other receivables	52	540					52	540
Accrued income	225	99					225	99
Short-term investments			134				134	
Cash and cash equivalents	24	11					24	11
	1,012	44,515	200	69	0	0	1,212	44,584
Financial liabilities								
Liabilities to subsidiaries						17,552		17,552
Interest-bearing liabilities					26,414	24,329	26,414	24,329
Derivatives			426	426			426	426
Trade payables					95	1	95	1
Other current liabilities					155	85	155	85
Accrued expenses			97	95			97	95
	0	0	523	521	26,664	41,967	27,187	42,488

Note 3 continued

Net profit/losses from financial assets and financial liabilities by measurement category in accordance with IFRS 9 are detailed in the table below.

SEKm, 2019	Financial assets measured at amortised cost (hold to collect)		Financial assets measured at fair value in profit or loss (other)		Financial liabilities measured at amortised cost		Carrying amount	
	Group	Parent Company	Group	Parent Company	Group	Parent Company	Group	Parent Company
Operating profit/loss								
Operating income and expenses	0	0	0	0	0	0	0	0
Net financial items								
Interest income	7	466					7	466
Interest expenses					-473	-481	-473	-481
Changes in value, derivatives			-235	-235			-235	-235
Changes in value, equities			-6	-6			-6	-6
	7	466	-241	-241	-473	-481	-707	-256

Accounting policies

Financial instruments

A financial asset or financial liability is recognised in the balance sheet when the company becomes a party to the commercial terms and conditions of the instrument. A financial asset is removed from the balance sheet when the rights inherent in the agreement are realised, expire, or if the company loses control over them. A financial liability is removed from the balance sheet when the obligation arising from the agreement has been met or is extinguished in another way. Transaction date accounting is used for derivatives, while settlement date accounting is used for spot purchases and sales of financial assets.

Classification and measurement

Financial assets are classified based on the business model in which the asset is managed and its cash flow characteristics. If the financial asset is held within the framework of a business model that aims to collect contractual cash flows, and the contractual conditions for the financial asset at specific points result in cash flows that consist exclusively of payment of principal and interest on the outstanding principal, the asset is recognised at amortised cost.

If the financial asset is held in a business model, the aims of which can be achieved by both collecting contractual cash flows and selling financial assets, and the contractual conditions for the financial asset at specific points result in cash flows that consist exclusively of payment of principal and interest on the outstanding principal, the asset is recognised at fair value via other comprehensive income.

All other business models where the aim is speculation, the asset is held for trading, or where cash flow characteristics rule out other business models involve recognition at fair value via profit or loss.

The Group applies a business model that aims to collect contractual cash flows for intra-group receivables, trade receivables, cash and cash equivalents, receivables from Group companies, accrued income and other receivables. The Group's financial assets are recognised at amortised cost.

Financial liabilities are measured at fair value via profit or loss if they are a contingent consideration to which IFRS 3 has been applied, held for trading, or if they were initially identified as a liability at fair value via profit or loss. Other financial liabilities are measured at amortised cost.

Trade payables are measured at amortised cost. However, the expected maturity of the trade payables is short, which is why the liability is recognised at the nominal amount with no discount. Interest-bearing bank loans and liabilities to subsidiaries are measured at amortised cost according to the effective interest rate method. Any differences between loan amounts received (net after transaction costs) and repayment or amortisation of loans is recognised over the term of the loan. Contingent considerations are classified and measured at fair value via profit or loss.

Calculation of fair value of financial instruments

The fair value of derivatives is calculated by discounting future cash flows by the quoted market interest rate for each maturity. Future cash flows are calculated as the difference between the fixed contractual interest under each derivatives contract and the implied Stockholm Interbank Offered Rate (STIBOR) for the period concerned. The present value of future interest flows arising there is calculated using the implied STIBOR curve. Fabège does not apply hedge accounting of derivatives. Assets and liabilities in these categories are stated continuously at fair value and changes in value are recognised in the statement of comprehensive income.

Shareholdings have been categorised as 'financial assets held for trading'. These are measured at fair value and changes in value are recognised in the statement of comprehensive income. Quoted market prices are used in determining the fair value of shareholdings. For all financial assets and liabilities, unless otherwise stated in the notes, the carrying amount is considered to be a good approximation of fair value.

Amortised cost and effective interest rate method

The amortised cost of a financial asset is the amount at which the financial asset is measured on initial recognition less principal, plus accumulated amortisation using the effective interest rate method of any difference between the principal and the outstanding principal, adjusted for any impairment losses. The recognised gross value of a financial asset is the amortised cost of the financial asset before adjustments for any loss provision. Financial liabilities are recognised at amortised cost using the effective interest rate method, or at fair value via profit or loss.

The effective rate of interest is the interest that, on discounting all future expected cash flows over the anticipated maturity, results in the initially recognised value of the financial asset or the financial liability.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset against each other and the net amount is recognised in the balance sheet when there is a legal right of set-off and there is an intention to settle the items by a net amount or to simultaneously realise the asset and settle the liability. The Group does not offset any financial assets or liabilities.

Impairment losses

The Group recognises a loss provision for expected credit losses from financial assets measured at amortised cost or fair value via other comprehensive income. The impairment rules do not extend to equity instruments. On each balance sheet date, the Group recognises the change in expected credit losses in profit or loss.

The Group must value the loss provision at an amount corresponding to 12 months of expected credit losses. For financial instruments for which there have been significant increases in the credit risk, a provision is recognised based on credit losses for the entire term of the asset (the general model).

The purpose of the impairment requirements is to recognise expected credit losses for the remaining term for all financial instruments for which significant increases have occurred in the credit risk, either assessed individually or collectively, in view of all reasonable and verifiable data, including forward-looking data. The Group measures expected credit losses from a financial instrument in a way that reflects an objective and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable verifiable data about current conditions and forecasts regarding future economic conditions.

For trade receivables, contract assets and lease receivables there are simplifications that mean that the Group directly recognises expected credit losses for the remaining term of the asset.

The Group's exposure to credit risk is primarily attributable to trade receivables, contract assets (promissory note receivables), other receivables, accrued income and cash and cash equivalents. Cash and cash equivalents, other receivables and accrued income are covered by the general model. For cash and cash equivalents, the exception for low credit risk is applied.

The simplified model is used to calculate credit losses on the Group's trade receivables and contract assets. When calculating the expected credit losses, trade receivables have been grouped based on customers' credit rating. The expected credit losses for trade receivables and contract assets are calculated with the help of a provision matrix based on previous events, current conditions and forecasts regarding future financial conditions and the time value of money, if applicable.

The Group defines a default event as a situation where it is deemed unlikely that the counterparty will fulfil their obligations due to indicators such as financial difficulties and missed payments. Regardless, a default event is considered to occur when payment is 90 days overdue, unless there are particular reasons to believe the amount will be paid. The Group writes off a claim when opportunities for additional cash flows are no longer deemed to exist.

Note 4 Significant estimates and assessments for accounting purposes

The valuation at fair value of the company's investment properties involves the use of estimates and assessments that are to be regarded as significant for accounting purposes (see also Note 15). The estimates and assessments made in connection with the sale of investment properties, primarily with respect to rental guarantees and promissory note receivables, are also deemed significant. For rental guarantees, an assessment is made of the probability of payment and of any investment costs for preparing the premises for being let during the remaining term of the guarantee. Rental guarantees etc. are included in the balance sheet item 'Provisions'. When performing property transactions, an assessment of risk transfer is made, which serves as a guideline when the transaction is to be recognised. As regards promissory note claims, an assessment is made of the amount that is expected to be received.

Upon acquisition of a company, the company makes an assessment of whether the acquisition is to be regarded as an asset acquisition or a business combination. Companies containing only properties with no associated property management/administration are normally classified as an asset acquisition.

In measuring loss carryforwards, the company makes an assessment of the probability that the loss can be utilised. Confirmed tax losses can be used as a basis for calculating deferred tax assets if it is highly likely that they can be used to offset future profit.

For such financial assets as interests in associated companies, promissory note receivables from associated companies and other companies, an assessment of the value of each interest is performed and for promissory note receivables an assessment is made of the amounts expected to be received.

Note 5 Segment accounting

SEKm	Property Management Jan–Dec 2020	Property Development Jan–Dec 2020	Transactions Jan–Dec 2020	Total Jan–Dec 2020	Property Management Jan–Dec 2019	Property Development Jan–Dec 2019	Transactions Jan–Dec 2019	Total Jan–Dec 2019
Rental income	2,656	150		2,806	2,747	109		2,856
Property expenses	–580	–114		–694	–649	–63		–712
Net operating income	2,076	36	0	2,112	2,098	46	0	2,144
Surplus ratio, %	78	24		75	76	42		75
Central administration and marketing	–82	–12		–94	–76	–9		–85
Net interest expense	–401	–61		–462	–414	–51		–465
Ground rent	–30	0		–30	–26	–2		–28
Share in profit/loss of associated companies	–52	–1		–53	–31	–3		–34
Profit/loss from property management	1,511	–38	0	1,473	1,551	–19	0	1,532
Realised changes in value, properties	0	0	49	49	0	0	0	0
Unrealised changes in value, properties	1,898	774	43	2,715	4,129	1,443	171	5,743
Profit before tax per segment	3,409	736	92	4,237	5,680	1,424	171	7,275
Change in value, fixed-income derivatives and equities				–231				–241
Profit/loss before tax				4,006				7,034
Properties, market value	65,314	11,334		76,648	65,972	8,278		74,250
Occupancy rate, %	92	72		91	94	89		94

Accounting policies

Segment reporting

Segment information is presented from the perspective of management and operating segments are identified based on the internal reports submitted to the company's chief operating decision maker. The Group has identified the CEO as the chief operating decision-maker, which means that the internal reports used by the CEO for monitoring the business and making decisions on the allocation of resources have been used as a basis for the presented segment information. In accordance with IFRS 8, segments are presented from the point of view of management, divided into the following segments: Property Management, Property Development and Transactions. Rental income and property expenses, as well as realised and unrealised changes in the value of properties, are directly attributable to properties in each segment (direct income and expenses). Investment properties pertain to properties that are being actively managed on an ongoing basis. Development properties pertain to properties in which new builds, extensions or conversions are in progress or planned that have a significant impact on the property's net operating income. Net operating income is affected either directly by the project or by limitations on lettings prior to impending improvement work. Recently acquired properties (within one year) with work in progress to significantly improve the property's net operating income in relation to the date of acquisition

are also included. Pure land properties are included in this segment. Transactions pertain to the properties that were divested during the year. Capital gains from property sales are recognised in this segment. Rental income and property expenses, as well as unrealised changes in value are directly attributed to properties in the Property Development and Property Management segments respectively (direct income and expenses). In cases where a property changes character during the year, earnings attributable to the property are allocated to each segment based on the period of time that the property belonged to each segment. Central administration and items in net financial expense have been allocated to the segments in a standardised manner based on each segment's share of the total property value (indirect income and expenses). Property assets are directly attributed to each segment and recognised on the balance sheet date.

In the first quarter, the project at Fortet 2, Solna, was completed and the property reclassified from a project property to an investment property. In the third quarter, the Glädjen 12 property was transferred from Property Management to Projects. Regulatörn 2, which was acquired in the third quarter, is classified as a development property. In the fourth quarter, the Stigbygelin 3 property was reclassified from Property Management to Property Development.

Note 6 Employees and salary costs, etc.

Average no. of employees	2020	Of which, women	2019	Of which, women
Parent Company	180	65	172	57
Subsidiaries	0	0	0	0
Group, total	180	65	172	57

	2020	2019
Employee turnover, %	7	7
Total sickness absence, %	2.4	2.9
Average no. of employees	180	172

Sickness absence by age group, %	Women	Men
Age <29	3.70	2.50
Age 30–49	2.81	2.01
Age 50+	0.61	2.40

SEK m	Salaries and other remuneration 2020	Social security contributions 2020	Salaries and other remuneration 2019	Social security contributions 2019
Parent Company	134	80	130	80
– of which pension expenses		28		29
Subsidiaries		2		2
– of which pension expenses		2		1
Group, total	134	82	130	82
– of which, total pension expenses		30		30

Gender distribution, Board of Directors and senior executives

	Board of Directors 2020	Board of Directors 2019	Senior executives 2020	Senior executives 2019
Men	3	3	4	4
Women	3	3	2	2
Total	6	6	6	6

Remuneration of senior executives

The term 'Other senior executives' refers to the three individuals who together with the Chief Executive Officer and the two Vice Presidents made up the Executive Management Team in 2020. During the year, the Executive Management Team consisted of the CEO, the Vice President and CFO, the Vice President and Director of Business Development, Director of Projects and Development, Director of Technical Operations and Director of Property Management. The remuneration paid to senior executives is based on market terms in accordance with the guidelines adopted by the AGM. For the current composition of the Executive Management Team, see page 92–93.

Fabege has a profit-sharing fund covering all employees of the company. Allocations to the profit-sharing fund are based on the achieved return on equity and capped at two price base amounts per year per employee. For 2020, provisions of about SEK 15.9m (14.5), which is equivalent to 1.80 (1.75) price base amounts per employee excluding payroll tax, were posted. Other benefits refer to company cars, household-related services and health insurance.

Pension

Pension expenses refer to the expense recognised in profit or loss for the year. The retirement age for the Chief Executive Officer is 65 years. A pension premium of a maximum of 35 per cent of the pensionable salary is paid during the term of employment. For other senior executives the ITP supplementary pension plan for salaried employees in industry and commerce or an equivalent plan applies and the retirement age is 65 years.

Severance pay

The contract between the company and the CEO is subject to six months' notice by either party and the CEO is entitled to 18 months' severance pay. The employment contracts of other senior executives are terminable on three to six months' notice by either party and provide for severance pay of up to 18 months. Severance pay is only paid in case of termination by the company and is offset by other income. This applies to all individuals in senior positions.

Basis of preparation

The Board of Directors is responsible for preparing a proposal for remuneration and other terms of employment for the CEO and a set of principles for remuneration and other terms of employment for other senior executives.

Board of Directors

The Board Members are paid Directors' fees in accordance with AGM resolutions. In 2020, total Directors' fees of SEK 2,100,000 (2,100,000) were paid. Of this amount, the Chairman of the Board received SEK 670,000 (650,000), and the other Board Members received a total of SEK 1,430,000 (1,450,000). No other fees or benefits were paid to the Board.

Remuneration and other benefits to senior executives, SEK 000s

Executive Management Team 2020, SEK 000s	Salary/Fee	Other benefits	Pension	Total
Chief Executive Officer	7,937	54	2,915	10,906
Chief Executive Officer, outgoing	4,378	21	1,196	5,595
Vice President, CFO	4,012	100	743	4,855
Vice President and Director of Business Development	8,520	0	0	8,520
Other senior executives	6,548	195	2,312	9,055

Of which, variable remuneration was paid totalling SEK 838,000 (3,015,000) to the outgoing CEO; variable remuneration has been paid to the CEO in the amount of SEK 1,035,000 (0), SEK 1,183,000 (3,856,000) to two vice presidents and SEK 1,724,000 (1,435,000) to three other senior executives. No other remuneration was paid to the Executive Management Team. Remuneration of the vice presidents includes remuneration to the Vice President Business Development, who transferred to a consultant role in 2019 and therefore receives a consulting fee established by the Board. The fee includes commission-based remuneration related to his specific duties and targets.

Executive Management Team 2019, SEK 000s	Salary/Fee	Other benefits	Pension	Total
Chief Executive Officer, incoming	2,110	12	777	2,899
Chief Executive Officer, outgoing	7,125	107	1,757	8,989
Vice President, CFO	4,483	97	688	5,268
Vice President and Director of Business Development	11,041	23	1,094	12,158
Other senior executives	5,978	203	2,043	8,224

Board of Directors, SEK 000s	2020				2019			
	Fee, Board Member	Audit Committee fees	Remuneration Committee fees	Total	Fee, Board Member	Audit Committee fees	Remuneration Committee fees	Total
Jan Litborn (Chairman)	550	50	70	670	550	–	100	650
Anette Asklin	240	100	–	340	240	40	–	280
Eva Eriksson	–	–	–	–	240	40	–	280
Märtha Josefsson	240	50	–	290	240	70	–	310
Emma Henriksson	240	–	–	240	–	–	–	–
Per Ingemar Persson	240	–	40	280	240	–	50	290
Mats Qviberg	240	–	40	280	240	–	50	290
Total	1,750	200	150	2,100	1,750	150	200	2,100

Note 6 continued

Principles for remunerating senior executives**Board of Directors' proposals regarding guidelines on remuneration to senior executives**

These guidelines apply to the members of company management at Fabege. Company management is defined as the Chief Executive Officer (CEO) and the other members of the Executive Management Team. The guidelines shall be applied to remuneration that is agreed and changes that are made to already agreed remuneration after the guidelines are adopted at the company's 2020 Annual General Meeting (AGM). The guidelines do not apply to remuneration approved at the AGM.

Effect of the guidelines in promoting the company's business strategy, long-term interests and sustainability

Fabège works with sustainable urban development, with a primary focus on commercial properties within a limited number of well located submarkets in the Stockholm area. Fabège creates value via management and upgrading of, and active work, on its property portfolio in order to grow the potential of its property portfolio.

- Fabège's overarching objective, via the company's well-situated portfolio, business model and expertise, is to create and realise value in order to provide its shareholders with an overall return that ranks among the best among property companies on the Stockholm Stock Exchange.
- Fabège will generate profit by being an inspiring and customer-focused company
 - with committed employees
 - with satisfied customers
 - that is the natural choice for existing and potential customers on the Stockholm market
 - that contributes to sustainable development in Stockholm and the UN's sustainable development goals

To successfully implement the company's business strategy and safeguard the company's long-term interests, including its sustainability, the company must be able to recruit and retain highly-qualified personnel. In order to achieve this, the company must be able to offer competitive remuneration. These guidelines enable the company to offer senior executives a competitive overall remuneration package.

The company has not established any further incentive programmes with approval from the AGM other than the remuneration packages encompassed by these guidelines.

Variable cash remuneration encompassed by these guidelines shall aim to promote the company's business strategy and long-term interests, including its sustainability.

Forms of remuneration, etc.

Remuneration shall be in line with the market and may comprise the following components: fixed cash salary, variable cash salary, pension benefits and other (minor) benefits, as well as allocation(s) to the company's profit-sharing fund. The AGM may in addition - and irrespective of these guidelines - approve, for example, share-based and share price related forms of remuneration.

The fixed salary is to be reviewed annually. It must be possible to measure and follow up attainment of criteria for payment of variable cash remuneration annually (over the calendar year). The variable cash remuneration may amount to a total of nine monthly salary payments, representing no more than 75 per cent of the fixed annual cash salary.

The retirement age is 65. Pension benefits are to be equivalent to the ITP supplementary pension plan for salaried employees in industry and commerce, or be contribution-based with a maximum contribution of 35 per cent of pensionable salary. The variable cash remuneration shall be the pensionable amount.

Other benefits, where they occur, shall constitute a limited portion in relation to fixed remuneration. Other benefits may include life insurance, health insurance and car allowances. Such benefits may amount to a total of no more than 10 per cent of the fixed annual cash salary.

The company has a profit-sharing fund covering all employees of the company. Allocations to the profit-sharing fund are based on the achieved return on equity and capped at two base amounts per year per employee.

Termination of employment

In the case of termination of employment by the company, the period of notice must be no more than twelve months. Termination salary and severance pay must not exceed 24 monthly salary payments in total.

In the case of termination of employment by the employee, the period of notice must be no more than six months, with no right to severance pay.

Criteria for allocation of variable cash remuneration, etc.

The variable cash remuneration shall be linked to predetermined and measurable criteria that may be financial or non-financial. It may also be made up of individually-based quantitative or qualitative goals. The criteria shall be structured in such a way that they promote the Company's business strategy and long-term interests, including its sustainability, for example by being clearly linked to the business strategy or promoting the executive's long-term development. Responsibility and performance that coincide with the interests of shareholders are to be reflected in the remuneration.

At present, the following criteria apply:

- 70% of the variable remuneration is based on the achievement of goals, such as operational goals, financial goals and sustainability goals
- 20% of the variable remuneration is based on the total return in the property portfolio
- 10% of the variable remuneration is based on the amount by which the share price outperforms the benchmark index OMX Stockholm Real Estate GI over the course of the year

Outcomes for all goals are measured over the calendar year. When the measurement period for attainment of the criteria for payment of variable cash remuneration has ended, the Remuneration Committee shall determine the extent to which the criteria have been attained. As far as financial goals are concerned, the assessment shall be based on the latest financial information published by the Company.

Senior executives who receive variable remuneration undertake to make a long-term investment (for a period of at least three years) of at least two-thirds of this variable salary component after tax in shares in the company. The aim is to encourage participation and commitment by offering senior executives the opportunity to become shareholders in a more structured manner. Variable remuneration to company management must not exceed a maximum total annual cost for the company of around SEK 10m (excluding social security fees), calculated on the basis of the number of persons who currently constitute senior executives.

Salary and employment conditions for employees

During preparation of the Board of Directors' proposals for these remuneration guidelines, salary and employment conditions for the company's employees have been taken into account by including details of total remuneration for employees, the components of remuneration and the increase in the remuneration and the speed of increase over time as part of the Remuneration Committee's and the Board's decision documentation in assessing the reasonableness of the guidelines and the restrictions arising from them. The trend of the gap between the remuneration paid to the senior executives and that paid to other employees will be reported on in the remuneration report.

Decision-making process for determining, reviewing and implementing the guidelines

The Board of Directors has established a Remuneration Committee. The Committee's tasks include preparing the Board's decisions on proposals for guidelines on remuneration of senior executives. The Board shall draw up proposals for new guidelines every four years and shall present their proposals for resolution at the AGM. The guidelines shall be valid until new guidelines are adopted at the AGM. The Remuneration Committee shall also monitor and evaluate variable remuneration programmes for the company management, implementation of guidelines on remuneration to senior executives and prevailing remuneration structures and remuneration levels in the Company. The members of the Remuneration Committee are independent of the Company and the company management. During the Board's consideration of and decisions on remuneration-related matters, the CEO and other members of the company management - to the extent that they are concerned by such matters - are not present.

Departure from the guidelines

The Board of Directors may decide to depart temporarily from the guidelines, wholly or in part, if in any individual case particular reasons exist to justify doing so and if such a departure is necessary to meet the Company's long-term interests, including its sustainability, or to ensure the Company's financial viability. As stated above, the Remuneration Committee's tasks include preparing the Board's decisions on remuneration matters, including decisions on any departure from the guidelines.

Description of major changes to the guidelines and how the views of shareholders have been taken into account

These guidelines have been prepared in accordance with the new requirements applying as of the 2020 AGM. The link to the company's business strategy and criteria for variable remuneration has been made clearer. Otherwise, the same guidelines as before apply, regarding both fixed and variable remuneration, other benefits, allocation to the company's profit-sharing fund, conditions of employment etc.

Accounting policies**Employee benefits**

Remuneration to employees in the form of salaries, holiday pay, paid sick leave, etc. as well as pensions is recognised as it is earned. Pensions and other compensation paid after termination of employment are classified as defined contribution or defined benefit pension plans. The Group has both defined contribution and defined benefit pension plans. Pension costs for defined contribution plans are charged to expense as they are incurred. For defined benefit plans, the present value of the pension liability is calculated using an actuarial method known as the Projected Unit Credit Method. Actuarial gains and losses are immediately recognised in other comprehensive income. Employees in the former Fabège have defined benefit pension plans. As of 2005, no further accrual of this pension liability has been made. Obligations relating to defined contribution pension plans are met through payments to the freestanding agencies or companies administering the plans. A number of Fabège employees have defined benefit pensions under

Note 6 continued

the ITP supplementary pension plan for salaried employees in industry and commerce, for which regular payments are made to Alecta. These are classified as multi-employer defined benefit pension plans. For the 2020 financial year, the company has not had access to information to enable reporting of the company's proportional share of the plan's obligations, plan assets and costs, which has meant that it has not been possible to recognise the plan as a defined benefit plan. The ITP 2 pension plan that is secured through an insurance policy with Alecta is therefore recognised as a defined contribution plan. The premium for the defined benefit retirement and family pension is calculated individually based on salary, previously earned pension and anticipated remaining period of service. Expected fees for the next reporting period for ITP 2 insurance policies provided by Alecta amount to SEK 10m (2020: SEK 10m). The Group's share of the total fees to the plan and the Group's share of the total number of active members of the plan amount to 0.02959 and 0.02243 per cent, respectively, (2020: 0.04818 and 0.02207 per cent, respectively). The collective funding ratio is defined as the market value of Alecta's assets as a percentage of its commitments to policyholders calculated using Alecta's actuarial methods and assumptions, which do not comply with IAS 19.

The collective consolidation level is normally permitted to vary between 125 and 175 per cent. To strengthen the consolidation level if it is deemed to be too low, one course of action may be to raise the agreed price for new subscriptions and increasing existing benefits. If the consolidation level exceeds 150 per cent then premium reductions may be introduced. At year-end 2020, Alecta's surplus, as expressed by the collective funding ratio, was 148 per cent (2019: 148 per cent).

Note 7 Rental income**Operating leases – the Group as lessor**

All investment properties are let to tenants under operating leases and generate rental income. Future rental income attributable to non-cancellable operating leases is distributed as follows:

SEKm	Group	
	2020	2019
Maturity:		
Within 1 year	534	784
1 to 5 years	1,461	1,202
Later than 5 years	801	852
Residential, garage/parking	122	180
Total	2,918	3,018

The difference between total rents at 31 December 2020 and income, as stated in profit or loss for 2020, is due to bought/sold properties, renegotiations and changes in occupancy rates in 2020. Leases relating to residential premises and garage/parking spaces remain in force until further notice. No information was provided about variable rental income since this comprises an insignificant portion of the total rental income. On-charging, service and other income total SEK 121m, corresponding to 4 per cent of total rental income for the January–December 2020 period.

Rental income includes SEK 18m in government rental support during the second quarter of 2020.

Accounting policies**Revenue recognition**

All investment properties are let to tenants under operating leases. Rental income from the company's property management activities is recognised in the period to which it refers. Rental income from investment properties is recognised on a straight-line basis in accordance with the terms and conditions of the applicable leases. In cases where a lease provides for a discounted rent during a certain period that is offset by a higher rent at other times, the resulting deficit or surplus is distributed over the term of the lease. Discounts provided to compensate for limitations in the right of use in connection, for example, with redevelopment or gradual occupancy, are recognised in the period to which they refer.

Note 8 Property expenses

SEKm	Group	
	2020	2019
Operating expenses, maintenance and tenant customisations	–296	–332
Property tax	–223	–221
VAT expense	–8	–8
Property/project admin. and lettings	–167	–151
Total	–694	–712

Note 9 Central administration and marketing

Refers to expenses for the Executive Management Team, expenses attributable to the public nature of the company and other expenses connected to the company type.

Property- and property management-related administration expenses are not included, as these are treated as property expenses.

Note 10 Realised and unrealised changes in value, investment properties

SEKm	Group	
	2020	2019
Realised changes in value:		
Sale proceeds	3,623	1,552
Carrying amount and expenses	–3,574	–1,552
	49	0
Unrealised changes in value:		
Changes in value relating to properties owned at 31/12/2020 and 31/12/2019, respectively	2,547	5,535
Changes in value relating to properties divested during the year	168	208
	2,715	5,743
Total realised and unrealised changes in value	2,764	5,743
Breakdown between positive and negative results:		
Positive	3,527	6,282
Negative	–763	–539
Total	2,764	5,743

Property sales represent income items according to IFRS 15; the amount is recognised in its entirety in the Transactions segment and in accordance with the accounting policy, the entire amount is recognised on the completion date. Gains or losses from the sale of properties are recognised at the date of completion, unless the purchase contract contains specific provisions which prohibit this.

Note 11 Profit from other securities and receivables that are non-current assets

SEKm	Group		Parent Company	
	2020	2019	2020	2019
Interest income, Group companies	–	–	516	466
Interest income, promissory notes	9	3	0	0
Profit from other securities	–2	–6	–2	–2
Total	7	–3	514	464

Note 12 Interest income and interest expenses

SEKm	Group		Parent Company	
	2020	2019	2020	2019
Interest income	7	4	0	0
Total	7	4	0	0
Interest expenses	–478	–472	–486	–481
Total	–471	–468	–486	–481

All interest income is attributable to financial assets measured at amortised cost.

Interest expenses are mainly attributable to financial liabilities measured at amortised cost, as well as interest expenses on derivatives measured at fair value.

Accounting policies**Borrowing costs**

In the consolidated financial statements loan expenses have been recognised in profit or loss in the year to which they refer, except to the extent that they have been included in the cost of a building project. Faberge capitalises loan expenses attributable to costs for new production or major redevelopments that add value to the property. The interest rate used to calculate the capitalised borrowing cost is the average interest rate of the loan portfolio. In the accounts of individual companies the main principle – that all loan expenses should be charged to expense in the year to which they refer – has been applied.

Note 13 Changes in value, equities

The loss of SEK -2m (-6) pertains an to unrealised change in value from AIK Fotboll AB.

Note 14 Tax on profit for the year

SEKm	Group		Parent Company	
	2020	2019	2020	2019
Current tax	24	27	–	–
Total current tax	24	27	0	0
Deferred tax	–864	–1,055	48	53
Total tax	–840	–1,028	48	53
Nominal tax on profit after financial items	–857	–1,505	–76	–716
Tax effects of adjustment items:				
Revaluation attributable to change in tax rate	–	–10	–	–
Effect of new regulations re restrictions on interest deductions	–	–66	–	–
Deficits and temporary differences from previous years	–48	55	–	–
Impairment of participations in subsidiaries and associated companies	–12	–8	–14	–
Resolution of deferred tax resulting from sales	20	514	–	–
Non-taxable dividend income	–	–	138	781
Current tax	24	–	–	–
Miscellaneous	33	–8	–1	–12
Total tax	–840	–1,028	48	53

Accounting policies

Income tax

The current tax liability is based on the taxable profit for the year. Taxable profit for the year differs from recognised profit for the year in that it has been adjusted for non-taxable and non-deductible items. The Group's current tax liability is calculated on the basis of tax rates that have been prescribed or announced at the balance sheet date. Deferred tax refers to tax on temporary differences that arises between the carrying amount of assets and the tax value used in calculating the taxable profit. Deferred tax is recognised in accordance with the balance sheet liability method. Deferred tax liabilities are recognised for practically all taxable temporary differences, and deferred tax assets are recognised when it is likely that the amounts can be used to offset future taxable profits. The carrying amount of deferred tax assets is tested for impairment at the end of each financial year and an impairment loss is recognised to the extent that it is no longer probable that sufficient taxable profits will be available against which the deferred tax asset can be fully or partially offset. Utilisation of tax loss carryforwards is dependent upon tax profits. Deferred tax is recognised at the nominal current tax rate with no discount. Deferred tax is recognised as an income or expense in the statement of comprehensive income, except in those cases where it refers to transactions or events that have been recognised directly in equity. In such cases the deferred tax is also recognised directly in equity. Current deferred tax assets and tax liabilities are offset against one another when they refer to income tax payable to the same tax authority and when the Group intends to settle the tax by paying the net amount.

Note 15 Investment properties

All properties in Fabege's portfolio are externally valued at least once a year by independent appraisers with recognised qualifications. The properties are valued at fair value, i.e. at their estimated market values without taking portfolio effects into account. Since 2000, property valuations have been conducted in accordance with the guidelines established by the Swedish Property Index. In 2020, the properties were valued by Newsec Analys AB and Cushman & Wakefield. The properties are valued on an ongoing basis throughout the year. All properties have been inspected on site at least once during the 2017–2020 period. The properties have also been inspected on site in connection with major investments or other changes that significantly affect the value of a property. Each quarter, internal valuations are also conducted of parts of the portfolio, as well as an internal assessment of the overall value for the entire portfolio. The internal valuation is performed using the same methodology as the external valuations.

Valued properties are divided into the following categories:

- Investment properties in normal operation are subject to cash-flow valuation.
- Project properties undergoing major redevelopment or new builds with contracted tenants are subject to cash-flow valuation.
- Other project properties and undeveloped land are valued using the location-price method.

Valuation of investment and project properties

For investment properties and project properties, a cash-flow model is used whereby net operating income less the remaining investment is present valued, normally over a five- or ten-year calculation period.

The discount rate used is a nominal required yield on total capital before tax. The required rate of return is based on previous experience from assessments of the market's required yields for similar properties. The discount rate for Fabege's property portfolio is 6.2 per cent (6.0) and is based on the nominal yield on five-year government bonds plus a premium for property-related risk. The risk premium is set individually based on the stability of the tenant and the length of the lease. The weighted required yield at the end of the calculation period was 3.88 per cent (3.97). The residual value is also present valued at the end of the calculation period. The residual value is the market value of the leasehold/property at the end of the period of calculation, which is estimated on the basis of forecast net operating income for the first year after the calculation period.

All premises are subject to an individual market-based assessment of rents and the rental trend. For leased premises, an estimated market rent is used for the cash-flow calculations after the expiration of the lease. The assessment of such factors as market rents, future normal running costs, investments, vacancies etc. is performed by external appraisers using information provided by Fabege. Operating and maintenance expenses are based on historical results, and on budget figures and statistics pertaining to similar properties. Expenses are expected to increase in line with the assumed inflation rate. Ground rents are calculated on the basis of agreements or in reference to market ground rents if the ground rent period expires during the calculation period. Property tax is estimated on the basis of the general property taxation for the most recent taxation year. Cash flow analyses with calculation periods exceeding five years are applied if deemed justified by long leases.

The properties' expected future cash flow during the selected calculation period is measured as follows:

+ Rent payments
– Running costs (including property tax and ground rent)
– Maintenance costs
= Net operating income
– Less investments
= Cash flow

Valuation data

Each property is valued separately without taking portfolio effects into account.

External property valuations are based on the following valuation data:

- Quality-assured information from Fabege concerning condition, leases, running and maintenance costs, leaseholds, vacancies and planned investments, as well as an analysis of current tenants.
- Current assessments of location, rent trends, vacancy rates and required yields for relevant markets, as well as normalised running and maintenance costs.
- Information from public sources concerning the land area of the properties, and local development plans for undeveloped land and development properties.
- The properties undergo regular inspections. All properties have been inspected in the past three years. The aim of these inspections is to assess the properties' overall standard, condition and attractiveness.

Note 15 continued

Office rental range in property valuations for 2019 and 2020

Market segment	Rental range
Inner city	SEK 3,000–8,000/sqm
Solna	SEK 2,300–4,000/sqm
Hammarby Sjöstad	SEK 2,300–4,000/sqm
Other markets	SEK 900–1,200/sqm

Valuation of other project properties

Valuations of other project properties are based on the prevailing planning conditions and listed price levels in connection with the sale of undeveloped land and development rights.

Valuation assumptions	2020	2019
Annual inflation, %	2.0	2.0
Weighted discount rate, %	6.0	6.0
Weighted required yield, residual value, %	4.0	4.0
Average long-term vacancies	5.0	4.5
Operations and maintenance: Commercial, SEK/sqm	280	285

The valuation assumptions do not vary significantly, since the properties are actually very similar (are in all significant respects office properties) and are highly concentrated geographically.

Market values 31 December 2020	SEKm	Weighted yield, %	Change in value, %
Inner city	28,910	3.6	0.9
Solna	38,650	4.0	2.3
Hammarby Sjöstad	7,532	4.2	0.4
Other markets	1,556	5.5	0.0
Total	76,648	3.9	3.6

Market values 31 December 2019	SEKm	Weighted yield, %	Change in value, %
Inner city	31,553	3.71	11.3
Solna	35,183	4.11	5.9
Hammarby Sjöstad	6,767	4.28	9.4
Other markets	747	5.74	8.3
Total	74,250	3.97	8.5

Changes in value during the year

Unrealised changes in value during the year amounted to SEK 2,715m (5,743). The change in value corresponds to a value increase of approximately 4 per cent. The change in value was attributable to rising rent levels, a decrease in vacancies and declining yield requirements in the investment property portfolio, as well as to development gains in project operations. The recognised value of the properties at 31 December 2020 was SEK 76.6bn (74.3).

	Group	
SEKm	2020	2019
Opening fair value	74,250	67,634
Property acquisitions	1,370	0
Investments in new builds, extensions and conversions	1,854	2,556
Changes in value, existing property portfolio	2,547	5,535
Changes in value relating to properties divested during the year	168	208
Sales, disposals and other	–3,541	–1,683
Closing fair value	76,648	74,250

Fabeges ten largest properties by value

Property	Area	Sqm
Pyramiden 4	Arenastaden	72,234
Apotekaren 22	Norrmalm	28,326
Nationalarenan 8	Arenastaden	46,834
Bocken 35 & 46	Norrmalm	14,934
Bocken 39	Norrmalm	20,335
Orgeln 7	Sundbyberg	37,353
Signalen 3	Arenastaden	31,492
Barnhusväderkv. 36	Norrmalm	25,980
Luma 1	Hammarby Sjöstad	38,345
Fräsaren 11	Solna Park	39,167

Sensitivity analysis – property values

Change in value before tax, %	Effect on earnings, SEKm	Equity/assets ratio, %	Loan-to-value ratio, %
+1	602	52.7	34.7
0	0	52.4	34.8
–1	–602	52.2	34.9

Sensitivity analysis, change in value	Assumption	Impact on value, SEKbn
Rent level	±10%	6.8
Running cost	±SEK 50/sqm	1.3
Yield requirement	±0.25%	4.9
Long-term vacancy rate	±2%	1.7

Investment properties are measured in accordance with Level 3, IFRS 13. The carrying amount/fair value and the resulting unrealised changes in value are determined each quarter based on valuations. If a property is sold in the second to the fourth quarter, the sale will give rise, in addition to the unrealised change in value, to a realised change in value that is based on the selling price in relation to confirmed fair value for the most recent quarter.

Fabeges has mortgaged certain properties, see also Note 32 Pledged assets and contingent liabilities.

Accounting policies

Investment properties

All properties in the Group are classified as investment properties, as they are held for the purpose of earning rental income or for capital gains or a combination of the two. The concept of investment property includes buildings, land and land improvements, new builds, extensions or conversions in progress and property fixtures. Rental income and property expenses, as well as realised and unrealised changes in value including tax, are directly attributable to properties. Investment properties are recognised at fair value at the balance sheet date. Gains and losses attributable to changes in the fair value of investment properties are recognised in the period in which they arise on the line 'Unrealised changes in value, investment properties' in the statement of comprehensive income. Gains or losses from the sale or disposal of investment properties consist of the difference between the selling price and carrying amount based on the most recent revaluation to fair value. Gains or losses from sales or disposals are recognised on the line 'Realised changes in value, investment properties' in the statement of comprehensive income. Projects involving conversion/maintenance and tenant customisations are recognised as an asset to the extent that the work being undertaken adds value in relation to the latest valuation. Other expenses are expensed immediately.

Note 16 Equipment

SEKm	Group		Parent Company	
	2020	2019	2020	2019
Cost at beginning of year	6	10	9	9
Investments	21	4	1	0
Sales and disposals	0	0	0	0
Closing accumulated cost	27	14	10	9
Opening depreciation	-8	-7	-7	-6
Sales and disposals	0	0	0	0
Depreciation for the year	-4	-1	-1	-1
Closing accumulated depreciation	-12	-8	-8	-7
Carrying amount	15	6	2	2

The Group has operating leases to a small extent for cars and other technical equipment. All agreements are subject to standard market terms and conditions.

Property, plant and equipment

Equipment is recognised at cost less accumulated depreciation and any impairment. Depreciation of equipment is expensed by writing off the value of the asset on a straight-line basis over its estimated period of use.

Impairment losses

In case of an indication of a decrease in the value of an asset (excluding investment properties and financial instruments, which are measured at fair value), the recoverable amount of the asset is determined. If the carrying amount of the asset exceeds the recoverable amount, the asset is written down to this value. The recoverable amount is defined as the higher of market value and value in use. Value in use is defined as the present value of estimated future payments generated by the asset.

Note 17 Interests in associated companies

SEKm	Group		Parent Company	
	2020	2019	2020	2019
Opening carrying amount	133	121	2	0
Contributions/Acquisitions	53	49	2	2
Impairment losses	-	-3	-	-
Share in profit/loss	-53	-34	-	-
Dividends	-	-	-	-
Reclassifications	-	-	-	-
Closing carrying amount	133	133	4	2
Carrying amount	133	133	4	2

Name/Corp. Reg. No.	Registered office	Capital share, % ¹⁾	Carrying amount 2020, SEKm	Carrying amount 2019, SEKm
Urban Services i Solna 559108-8391	Stockholm	20.0	1	1
Projektbolaget Oscarsborg AB 556786-3419	Stockholm	50.0	0	0
Haga Norra Stadsutveckling Kvarter 6 and 7 AB 556983-7650	Stockholm	50.0	10	10
Accessy AB 559184-9749	Stockholm	50.0	4	2
Selfoss Invest AB	Stockholm	50.0	2	2
Fastighets AB Solna Lagern 3 559122-5759	Stockholm	50.0	0	0
Värtan Fastigheter KB 969601-0793	Stockholm	50.0	5	6
Arenabolaget i Solna KB ¹⁾ 969733-4580	Stockholm	66.7	111	111
Arenabolaget i Solna AB 556742-6811	Stockholm	50.0	0	0
Stockholm Syd SBD Utveckling AB 559090-9734 ²⁾	Stockholm	-	-	1
			133	133

¹⁾ Arenabolaget owns and manages Friends Arena. Fabège owns 66.7 per cent in Arenabolaget i Solna KB (ABS KB), which owns the Nationalarenan 1 property (Friends Arena). Fabège also owns 50 per cent in Arenabolaget i Solna AB, which is an unlimited partner in ABS KB. Since Fabège does not have a controlling interest in ABS KB, the holding is recognised as interests in associated companies and profit/loss from the company as earnings from interests in associated companies.

²⁾ During the year, Stockholm Syd SBD Utveckling AB was converted into a wholly owned subsidiary.

The following table presents financial information concerning associated companies. The information is presented on an aggregate level since, in all significant respects, the holdings pertain to similar property management and development operations.

Condensed statement of profit or loss and balance sheet for associated companies, SEKm (100%)

SEKm	Group	
	2020	2019
Profit and loss account		
Rental income	257	79
Net operating income	-23	4
Profit for the year	-105	-106
Balance sheet		
Non-current assets	3,392	3,596
Current assets	376	199
Total assets	3,768	3,795
Shareholders' equity	1,856	1,902
Other liabilities	1,912	1,893
Total shareholders' equity and liabilities	3,768	3,795
The Group's share of net assets in associated companies	1,234	1,268

Joint venture

The Group has one significant joint venture. Fabège conducts financial operations through the co-owned company Svensk Fastighetsfinansiering AB. Operations consist of conducting financing operations through the raising of loans in the capital market, and lending operations through the issue of cash loans. The aim is to expand the company's financing base with a new source of financing. January 2015 saw the launch of Nya Svensk Fastighetsfinansiering AB, a finance company with a covered MTN programme of SEK 12,000m. The company is owned by Catena AB, Diös Fastigheter AB, Fabège AB, Platzer Fastigheter Holding AB and Wihlborgs Fastigheter AB, each owning 20 per cent. The bonds are secured by property mortgage deeds. Nya SFF changed its name in 2016 to SFF (Svensk Fastighetsfinansiering AB). At 31 December, Fabège had outstanding bonds totalling SEK 1,524m (2,085) via SFF.

Accounting policies

Interests in associated companies and joint ventures

A company is recognised as an associated company if Fabège holds at least 20 per cent and no more than 50 per cent of the votes or otherwise exercises a significant influence on the company's operational and financial control. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets. In the consolidated financial statements, these holdings are recognised in accordance with the equity method. Interests in associated companies and joint ventures are recognised in the balance sheet at cost after adjusting for changes in the Group's share of the associated company's and joint venture's net assets, less any decrease in the fair value of individual interests.

Holdings in joint operations

A holding in a joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and have obligations regarding the liabilities that derive from the business. Joint control is regulated in agreements and only exists when the parties that share the control are required to give their consent to the relevant operations.

For joint operations, Fabège recognises its share of assets, liabilities, revenue and costs, as well as its share of joint assets, liabilities, revenue and costs item by item in the consolidated accounts. Transactions and other dealings with joint operations have been eliminated in the consolidated financial statements.

Note 18 Receivables from associated companies

Receivables from associated companies relate to receivables from Selfoss Invest AB of SEK 110m (148), Arenabolaget i Solna AB of SEK 95m (50), Haga Norra SEK 434m (130) and Fastighets AB Solna Lagern 3 of SEK 228m (224). Last year, receivables of SEK 7m from Stockholm Syd SBD Utvecklings AB were included. The receivables carry market interest rates. Any potential credit risk is mitigated by the requirement, contained in the company's finance policy, that only creditworthy counterparties be accepted in financial transactions; see Note 3 for further details.

Note 19 Other long-term securities holdings

SEKm	Group		Parent Company	
	2020	2019	2020	2019
Cost at beginning of year	8	12	8	12
Acquisitions/Investments				
Changes in value	-2	-4	-2	-4
Sales				
Closing amount	6	8	6	8
Carrying amount	6	8	6	8

		Carrying amount, SEKm	
Holdings			
AIK Fotboll AB – Fabege's capital share is 18.5 per cent and the number of shares is 4,042,649		6	
Total		6	

Note 20 Other non-current receivables

SEKm	Group		Parent Company	
	2020	2019	2020	2019
Maturity:				
1 to 5 years after balance sheet date	99	105	0	0
More than 5 years from balance sheet date	3	6	0	0
Total	102	111	0	0

Carrying amount is a good approximation of the fair value.

Group

Other non-current receivables pertain primarily to promissory notes. Any potential credit risk is mitigated by the requirement, contained in the company's finance policy, that only creditworthy counterparties be accepted in financial transactions.

Note 21 Trade receivables

Age structure – overdue trade receivables, SEKm	Group	
	2020	2019
0–30 days	38	35
31–60 days	7	2
61–90 days	0	0
>90 days	19	11
Of which, provisioned ¹⁾	-11	-7
Total	53	41

Changes in reserves for expected credit losses	31/12/2020
Opening balance	7
Provisions	8
Reversals	-3
Write-offs	-3
New receivables	4
Settled receivables	-2
Change in risk factors	-
Closing balance	-11

¹⁾ In addition, a provision of SEK 18m was made for rental receivables not yet due for payment.

Accounting policies

Trade receivables

A business model is applied for the Group's trade receivables, the aim of which is to collect contractual cash flows, which means recognition at amortised cost, since the cash flows are made up exclusively of payments on principals and interest. Fabege's trade receivables are recognised at the amount that is expected to be received after deducting for uncertain receivables, which are assessed individually. The expected maturity of a trade receivable is short, and the value is therefore recognised at the nominal amount with no discount. Impairment of trade receivables is recognised in operating expenses. Any potential credit risk is mitigated by the requirement, contained in the company's finance policy, that only creditworthy counterparties be accepted in financial transactions. As regards trade receivables, the policy states that customary credit checks must be carried out before a new tenant is accepted. The expected credit losses for trade receivables are calculated with the help of a matrix based on previous events, current conditions and forecasts regarding future financial conditions.

Note 22 Other receivables

The Group has current receivables in the form of promissory notes maturing within one year in the amount of SEK 4m (7). VAT receivables amount to SEK 8m and other items totalling SEK 3m. In the previous year, this item was also affected at the balance sheet date by an unsettled purchase consideration relating to an additional consideration of SEK 4m.

Accounting policies

Non-current and other receivables

Non-current and other (current) receivables primarily consist of promissory note receivables relating to sales proceeds for properties that have been sold but not yet vacated. These items are categorised as 'Loans and receivables', which means that the items are recognised at amortised cost. Receivables are recognised at the amount that is expected to be received after deducting for uncertain receivables, which are assessed individually. Receivables with short maturities are recognised at nominal amounts without discounting.

Note 23 Receivables from Group companies

Receivables from Group companies consist of clearing accounts for all the Group's subsidiaries. The subsidiaries do not have their own bank accounts and transactions are carried out via clearing accounts via the Parent Company.

Note 24 Shareholders' equity

	Shares outstanding	Registered shares
No. of shares at beginning of year	330,783,144	330,783,144
No. of shares at end of year	326,205,742	330,783,144
Total	326,205,742	330,783,144

All shares carry equal voting rights, one vote per share.

The quotient value of a share is SEK 15.63.

Proposed dividend per share: SEK 3.60.

For other changes in shareholders' equity, see the consolidated and Parent Company statements of changes in equity.

Accounting policies

Treasury shares

Share buybacks are recognised as a deductible item, net after any transaction costs and tax, from retained earnings, until such time as the shares are divested or cancelled. If these ordinary shares are subsequently divested, the amount received for them (net after any transaction costs and tax effects) is recognised in retained earnings.

Note 25 Overdraft facilities

SEKm	Group		Parent Company	
	2020	2019	2020	2019
Available credit limit	660	660	660	660
Unused portion	-442	-660	-442	-660
Used portion	218	0	218	0

Note 26 Liabilities by maturity

Interest-bearing liabilities, SEKm	Group		Parent Company	
	2020	2019	2020	2019
Maturity up to 1 year from balance sheet date	2,925	4,565	2,925	2,980
Maturity 1 to 5 years from balance sheet date	15,235	12,100	13,711	11,600
Maturity later than 5 years from balance sheet date	8,509	9,749	8,509	9,749
Total	26,669	26,414	25,145	24,329

Carrying amount is a good approximation of the fair value. Non-interest-bearing liabilities are expected to fall due for payment within one year. For the interest rate maturity structure, see Note 3.

Financial liabilities

Faberge's interest-bearing liabilities and other liabilities are categorised as 'financial liabilities' and measured at amortised cost. Non-current liabilities have an expected maturity of more than one year, while current liabilities have a maturity of less than one year.

Note 27 Derivatives

SEKm	Group		Parent Company	
	2020	2019	2020	2019
Long-term surplus value	20	58	20	58
Total surplus value	20	58	20	58
Short-term deficit	–	–	–	–
Long-term deficit	–617	–426	–617	–426
Total deficit	–617	–426	–617	–426
Total	–597	–367	–597	–367

The Group does not apply hedge accounting; see 'Financial instruments' in Note 3 Accounting policies. Derivatives are classified as interest-bearing liabilities and assets in the balance sheet and measured at fair value in compliance with Level 2, IFRS 13; see Note 3 for further details. Changes in value are recognised in the statement of comprehensive income on a separate line entitled 'Changes in value, fixed-income derivatives'.

Note 28 Deferred tax liability/tax asset

SEKm	Group		Parent Company	
	2020	2019	2020	2019
Deferred tax has been calculated on the basis of:				
Tax loss carryforwards	–693	–690	0	0
Difference between book and tax values in respect of properties	9,166	8,322	–	–
Derivatives	–128	–79	–128	–185
Miscellaneous	–57	–122	–106	–
Net deferred tax asset/liability	8,288	7,431	–234	–185

Negative amounts above refer to deferred tax assets.

Measured tax loss carryforwards in the Group, which have been taken into account in calculating deferred tax, total approximately SEK 3.4bn (3.8). Of the changes in deferred tax liabilities for the year, the use of profit from property management accounted for SEK –327m and changes in the value of properties for SEK –581m. Deferred tax has been calculated at 20.6 per cent.

Note 29 Provisions

Out of total provisions of SEK 183m (182), obligations relating to rental guarantees for divested properties accounted for SEK 0m (2) and provisions for pensions for SEK 149m (146). Other amounts refer to stamp duties on properties that are payable upon the sale of a property, SEK 34m (34).

SEKm	Rental guarantees	Miscellaneous	Provisions for pensions	Total
At 01/01/2020	2	34	146	182
Provisions for the year	–	–	2	2
Actuarial assumptions for the year	–	–	1	1
Used/paid during the year	–2	–	–	–2
At 31/12/2020	0	34	149	183
Provisions comprise:				
Long-term component	–	34	149	183
Short-term component	–	–	–	–
Total	0	34	149	183

Provisions for pensions

For information regarding pension provisions, see Note 6.

Accounting policies

Provisions

Provisions are recognised when the company has a commitment and it is likely that an outflow of resources will be required and the amount can be reliably estimated.

Note 30 Trade payables

Accounting policies

Trade payables are categorised as 'financial liabilities', which means that the item is recognised at amortised cost. The expected maturity of a trade payable is short, and the liability is therefore recognised at the nominal amount with no discount.

Note 31 Accrued expenses and deferred income

SEKm	Group		Parent Company	
	2020	2019	2020	2019
Advance payment of rents	479	455	–	–
Accrued interest expenses	92	97	90	95
Miscellaneous	267	236	50	34
Total	838	788	140	129

Note 32 Pledged assets and contingent liabilities

Pledged assets, SEKm	Group		Parent Company	
	2020	2019	2020	2019
Property mortgages	18,747	19,892	–	–
Shares in subsidiaries	18,323	15,789	–	–
Promissory notes	–	–	14,121	14,764
Total	37,070	35,681	14,121	14,764

Contingent liabilities

Guarantees on behalf of subsidiaries	–	–	409	261
Guarantees and undertakings for the benefit of associated companies	489	531	489	531
Total	489	531	898	792

The Group has pension commitments of SEK 32m (34), which are secured through a pension fund. The solvency ratio for the pension fund is 166 per cent (177). No provision has been made, as the pension commitment is fully covered by the assets of the fund.

Accounting policies

Contingent liabilities

Contingent liabilities are recognised if a possible commitment exists that is confirmed only by several uncertain future events and it is not likely that an outflow of resources will be required or that the size of the commitment can be calculated with sufficient accuracy.

Note 33 Interest paid

During the year, interest paid in the Group amounted to SEK 550m (556), of which SEK 28m (18) was capitalised in investing activities. No interest capitalisation occurred in the Parent Company.

Note 34 Changes in working capital

SEKm	Group		Parent Company	
	2020	2019	2020	2019
Change acc. to balance sheet	-35	306	524	-64
Change in receivables and liabilities pertaining to interest income, dividends and interest expenses, current tax and unsettled purchase considerations pertaining to properties sold	-128	172	-	-
Total	-163	478	524	-64

Note 35 Lease liabilities

Lessees must record leases in the balance sheet. Of the Group's leases, management of ground rents is the most significant. The lease liability amounts to SEK 897m at 31 December 2020. A corresponding right-of-use asset is included in the balance sheet. The lease liability has been calculated using a simplified valuation in the form of budgeted ground rent for 2021 divided by a yield requirement of 4 per cent (which is a weighted average for yield requirements for the lease-holds). The cost of ground rents is recognised as a financial expense. The annual cost of ground rents at 31 December 2020 amounts to SEK 30m. Besides lease-holds, Fabège is only a lessee to a limited extent, which does not have any material impact on the statement of comprehensive income or statement of financial position.

Note 36 Cash and cash equivalents

Cash and cash equivalents consist of cash assets and bank balances. The Group has unused overdraft facilities, which are not included in cash and cash equivalents, of SEK 442m (660).

Accounting policies

Cash and cash equivalents

Cash and cash equivalents consist of cash assets held at financial institutions. Cash and cash equivalents also includes short-term investments with maturities of less than three months from the date of acquisition that are exposed to insignificant risk of fluctuations in value. Cash and cash equivalents are recognised at their nominal amounts.

Note 37 Transactions with related parties

Erik Paulsson, with his family and companies, holds a controlling influence from Hansan AB. In 2020, consulting services totalling SEK 1m (1) were procured. In 2020, consulting services were also purchased totalling SEK 4m (3) from Glimstedts, in which Fabège's Chairman Jan Litborn is a partner. Remuneration was paid to Klaus Hansen Vikström in the amount of SEK 8.52m; see Note 6 for further details. Contributions of SEK 52m (33) have been made to ABS. Nya Svensk FastighetsFinansiering AB, a newly formed finance company with a covered MTN programme, was launched in January 2015. The company is owned by Catena AB, Diös Fastigheter AB, Fabège AB, Platzer Fastigheter Holding AB and Wihlborgs Fastigheter AB, each owning 20 per cent. The bonds are secured by property mortgage deeds and share pledges. Nya SFF changed its name in 2016 to SFF (Svensk FastighetsFinansiering AB). The MTN framework amounts to SEK 12,000m (12,000). At 31 December, Fabège had outstanding bonds totalling SEK 1,524m (2,085). Market-based terms and conditions are applied throughout.

Note 38 Dividend per share

The dividends that were adopted at Annual General Meetings and paid out in 2020 and 2019 were SEK 3.20 per share and SEK 2.65 per share, respectively. To the Annual General Meeting on 25 March 2021 the Board of Directors proposes a dividend for 2020 of SEK 3.60 per share, to be paid in April and October in the amount of SEK 1.80 per share on each occasion. The total proposed dividend sum amounts to SEK 1,174,340,671. The dividend amount is based on the total number of shares outstanding at 31/01/2021, i.e. 326,205,742 shares. The total dividend amount is subject to alteration up to and including the record date, depending on share buybacks.

Note 39 Adoption of the Annual Report

The annual report was adopted by the Board of Directors and approved for publication on 1 March 2021. The Annual General Meeting will be held on 25 March 2021.

Note 40 Net sales

Parent Company income comprises mainly intra-Group invoicing.

Note 41 Operating expenses

SEKm	Parent Company	
	2020	2019
Employee expenses	-235	-240
Administration and running costs	-116	-116
Total	-351	-356

Note 42 Shares and participations in Group companies

SEKm	Parent Company	
	2020	2019
Impairment of shares in subsidiaries	-64	-11
Group contributions	6	0
Dividends	646	3,650
Total	588	3,639

SEKm	Parent Company	
	2020	2019
Cost at beginning of year	12,516	15,144
Acquisitions and additions	65	5
Sales	-	-
Closing accumulated cost	12,531	15,149
Opening impairment	-2,633	-2,628
Impairment	-64	-5
Closing accumulated impairment losses	-2,647	-2,633
Carrying amount	12,517	12,516

Directly owned subsidiaries

Name/Corp. Reg. No.	Registered office	Capital share, % ²⁾	Carrying amount, SEKm
Hilab Holding Stockholm AB 556670-7120	Stockholm	100	9,726
LRT Holding Company AB 556647-7294	Stockholm	100	2,790
Fabège Holding Solna 556721-5289	Stockholm	100	0
Fabège Holding Mix AB 556785-2636	Stockholm	100	0
Fabège Holding N8 AB 556834-3429	Stockholm	100	0
Fabège Holding Lodre AB 559124-0253	Stockholm	100	0
Fabège Flemingsberg AB 559170-5214	Stockholm	100	0
Fabège Holding Generatorm AB 559170-5255	Stockholm	100	0
Stockholm Syd SBD Utvecklings AB 559170-5248	Stockholm	100	1
Fabège Finansnyckeln III AB 556983-7601	Stockholm	100	0
Total			12,517

²⁾Also applies to the share of votes for the total number of shares.

The stated capital share includes shares from other Group companies. The Group comprises a total of 154 (176) companies, of which 146 (166) are wholly owned and 8 (10) are co-owned.

Accounting policies

Subsidiaries

Subsidiaries are companies in which the Group has a controlling interest. Controlling influence is achieved when the Parent Company has control over a company, is exposed or entitled to a variable return from the holding in the company and has the ability to exercise control over the company to influence the return. The existence and effect of potential voting rights that can currently be used or converted is taken into account in assessing whether the Group exercises a controlling influence.

Subsidiaries are included in the consolidated financial statements as of the time when the controlling influence is transferred to the Group and are excluded from the consolidated financial statements as of the time when the controlling

Note 42 continued

influence ceases. The acquisition of a subsidiary is recognised in accordance with the purchase method. The purchase consideration for the business combination is measured at fair value at the acquisition date, which is calculated as the total of the fair values at the acquisition date for the assets acquired, assumed or acquired liabilities, as well as equity shares issued in exchange for control of the acquired business. Acquisition-related costs are recognised in profit or loss as incurred. For business combinations in which the sum of the purchase consideration, any non-controlling interests and fair value at the acquisition date of prior share holdings exceeds the fair value at the acquisition date of identifiable acquired net assets, the difference is recognised as goodwill in the statement of financial position. If the difference is negative, it is recognised as profit on a bargain purchase directly in profit or loss following retesting of the difference.

Note 43 Fees and remuneration to auditors

The following remuneration was paid to the company's auditors:

Fees and remuneration for expenses

SEK 000s	Group		Parent Company	
	2020	2019	2020	2019
Deloitte:				
Auditing assignments ¹⁾	3,320	3,195	3,320	3,195
Other auditing activities	0	249	0	249
Tax advisory services	0	0	0	0
Other services	0	0	0	0
Total	3,320	3,444	3,320	3,444

¹⁾ Auditing assignments pertain to the auditing of the Annual Report and financial statements, as well as the administration of the Board and the CEO, other tasks required of the company's auditors and advisory services and representation brought on by observations during such audits or such other tasks.

Note 44 Events after the balance sheet date

Klaus Hansen Vikström, Vice President and Business Development Manager, has decided to fully make the transition to his own business as of 1 May 2021.

In January, Faberge signed a 12-year lease for approx. 7,600 sqm with Conventum in the Bocken 39, Kungsgatan 9 property. The annual rent amounts to approx. SEK 62m.

A bond issue of SEK 700m was carried out at the end of January, spread over two tranches of five and six years respectively. Interest from investors was very high.

In February, Faberge restarted buying back its own shares.

Note 45 Proposal for the distribution of profits

The following amount is at the disposal of the AGM:	SEK
Retained earnings	4,848,864,021
Profit for the year	404,225,514
Total	5,253,089,535

The Board of Directors and the Chief Executive Officer propose that the amount be allocated as follows:	SEK
A dividend of SEK 3.60 per share to the shareholders	1,174,340,671
To be carried forward	4,078,748,864
Total	5,253,089,535

The dividend amount is based on the total number of shares outstanding at 31 January 2021, i.e. 326,205,742 shares. The total dividend amount is subject to alteration up to and including the record date, depending on share buybacks.

Corporate Governance Report

Fabege is a Swedish public limited-liability company with its registered office in Stockholm. The company's corporate governance is based on its Articles of Association, the Swedish Companies Act and other applicable laws and regulations. Fabege applies the Swedish Corporate Governance Code (the 'Code'), the main purpose of which is to improve standards of governance among Swedish businesses.

Message from the Chairman

Long-term approach and innovative strength offer sustainable shareholder value

2020 has been an extraordinary year. During the year, we experienced a completely new situation, with a pandemic that for the first time in modern times has affected the entire world. I have worked closely with the property sector and Fabege's former chairman and founder, Erik Paulsson, for over 30 years. Over the course of these years we have seen many testing periods together, from the currency crisis to the IT crash and financial crisis. Despite the challenges that have arisen, we have never been afraid of the changes happening around us. We have always found solutions to support our long-term development going forward, and this is largely thanks to an innovative mindset. It is also this very spirit of innovation that I regard as being one of Fabege's primary assets, and something that we also try to factor into our work on the Board. The Board of Directors is made up of a small group of members bringing different areas of expertise and perspectives, which is helpful in enabling a close dialogue and pursuing constructive work.

Sustainability is integrated into our procedural rules and fuels continual improvement work. Fabege has long adopted a broad approach to sustainability, and although the concept is often associated with climate and environmental issues it encompasses significantly more than that. During the year the pandemic has turned the spotlight on the psychosocial work environment. Fabege has taken responsibility for managing the situation during the restrictions by introducing work shifts and facilitating working from home in various ways. Much of our work in the Board has also had to take place remotely via online meetings. It has been possible to continue with our work in this way, but there is no replacement for the potential of physical meetings to take matters to the next level.

For Fabege, work during the year has to some extent focused on laying the foundations for the structure of our vision for Flemingsberg. Strategic acquisitions and cooperation with the municipality have given the company better control over the development of the area. It is also my experience that our cooperation with all the municipalities in Fabege's districts has developed well over the year, and I feel that both partners gain a great deal of benefit from working together. Stefan Dahlbo has quickly settled in at the company, despite the current situation. Together with the other members of the management team he has also responded well to Board requirements for greater access to



information and transparency during the pandemic. Fabege now has a strong balance sheet, which offers advantages when it comes to opportunities to continually adjust capital needs to boost shareholder value. The Board proposes that the AGM approve a dividend of SEK 3.60 per share, to be paid on two occasions in the amount of SEK 1.80 per share on each occasion.

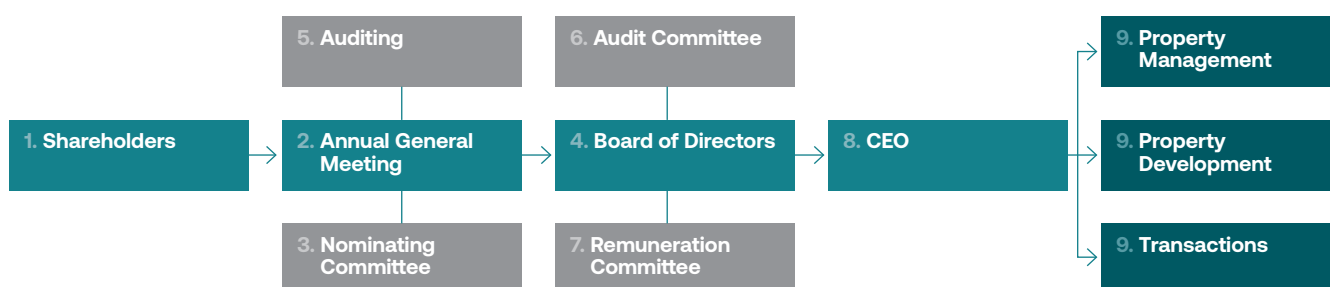
As Chairman of the Board, I am very much looking forward to being part of Fabege's continuing development and value creation. Although it is hard to speculate on how the pandemic will affect the future office market, it will likely involve a change in needs relating to the work environment. It could be that privacy requirements in the workplace increase, that some employees continue to opt to work from home, or that there is greater demand for more spacious premises. Regardless of the direction developments take, I'm convinced that the office will remain important for companies' future growth and innovative strength. I also believe that the opportunity to develop alongside colleagues will play a crucial role in the work environment of tomorrow. Fabege has an enviable knowledge of the market that is established via a close dialogue with existing and potential customers. This means I am confident about the company's ability to build value by constantly moving forward.

Solna, March 2021

Jan Litborn
Chairman of the Board, Fabege

Governance structure of the organisation

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



1. Shareholders

Fabège's shares are listed on Nasdaq Stockholm. The company's share capital is SEK 5,097m, represented by 330,783,144 shares. At year-end, the company held 4,577,402 treasury shares corresponding to 1.38 per cent of the number of registered shares. In Fabège all shares carry the same voting rights, which means that opportunities to exercise influence as an owner are consistent with each shareholder's capital share in the company. The following shareholders, directly or indirectly hold shares that represent one tenth or more of the votes for all shares in the company:

Holdings, %	31/12/2020
Erik Paulsson with his family, privately and through companies	15.6

Fabège's ownership structure is described on page 147 of the annual accounts.

2. Annual General Meeting

The AGM is the company's highest decision-making body. Shareholders who would like to participate in the business of the AGM must be registered in the transcript of the entire share register pertaining to the conditions prevailing five working days prior to the AGM and notify the company of their intention, and that of no more than two advisors, to attend the meeting no later than 4.00 pm on the day stipulated in the notice convening the AGM.

3. Nominating Committee

The Nominating Committee is the AGM's body for preparing decisions relating to appointments. The Committee's task is to draw up proposals for the appointment of the AGM chairman, Chairman of the Board and Board Members, Directors' fees, the appointment of auditors, auditors' fees and any amendments to the principles governing the election of the Nominating Committee.

Shareholders wishing to submit proposals to the Nominating Committee can do so by emailing ir@fabege.se or by sending a letter to Fabège AB. The proposal concerning Directors' fees must specify a breakdown between the Chairman, other Board Members and representatives of the Audit Committee and Remuneration Committee.

4. Board of Directors

Under the Swedish Companies Act, the Board of Directors is responsible for the company's organisation and the administration of the company's affairs. The Board is required to continuously assess the performance management and financial situation of the company. Its main task is to manage the company's assets on behalf of the owners in a way that secures the owners' interest in obtaining a strong long-term return on capital. Fabège's Board is to consist of at least four and no more than nine directors. Each year, the Board adopts rules of procedure, including instructions on division of work and reporting.

5. Auditing

Under the Swedish Companies Act, the company's auditor is required to examine the company's Annual Report and accounts as well as the management performed by the Board and the CEO. After the end of each financial year, the auditor is required to submit an audit report to the AGM. Auditors are appointed and remunerated based on AGM resolutions pursuant to proposals from the Nominating Committee. At the 2020 AGM, the auditing firm Deloitte was appointed the company's auditors with the authorised public accountant Peter Ekberg as Auditor-In-Charge for the period up to the 2020 AGM.

In addition to Fabège, Peter Ekberg has audit assignments for the following major companies: Loomis AB, Swedish Match AB and SJ AB. Peter Ekberg has no other appointments with companies that are closely related to Fabège's major owners or the CEO. In addition to its assignment as Fabège's appointed auditors, Deloitte has performed audit-related assignments relating primarily to other auditing activities. Furthermore, Deloitte conducts a limited assurance review of Fabège's Sustainability Report, which is carried out according to GRI Standards, and a statutory review of the Sustainability Report that also satisfies requirements stipulated in the Swedish Annual Accounts Act.

6. Audit Committee

The Board has appointed an Audit Committee from among its own members. The Audit Committee acts as an extension of the





Board for the monitoring of issues relating to accounting, auditing and financial reporting.

Its remit includes addressing issues relating to operational risks and risk management, internal control (environment, design and implementation), accounting policies, financial follow-up and reporting, and the perfor-

mance of audits. The Committee meets regularly with senior executives to discuss and form an opinion on the state of the company's essential processes from an internal control perspective. Board members review all interim reports. The year-end report, the Corporate Governance Report and the Directors' Report are discussed specifically at the Committee's meeting at the beginning of each year. The Committee meets regularly with the company's auditor to obtain information on the focus, scope and results of audit activities. It operates according to separate rules of procedure, which are reviewed and adopted annually by the Board. Fabege's Audit Committee meets the Code's requirements on composition and members' skills and experience in accounting and in other issues within the Committee's area of responsibility.

7. Remuneration Committee

The Board of Directors has established a remuneration committee consisting of three Board members, including the Chairman. The Committee prepares information for decisions regarding remuneration matters for the CEO and company management. The Board of Directors makes decisions regarding remuneration based on proposals from the Remuneration Committee.

8. Management

Chief Executive Officer

The Chief Executive Officer (CEO) is responsible for operational governance and for the day-to-day management and leadership of the business, in accordance with the guidelines, instructions and decisions adopted by the Board of Directors. In addition to the general provisions relating to division of responsibility contained in the Swedish Companies Act, the rules of procedure governing the work of the CEO specify:

- The CEO's duty and obligation to supply the Board of Directors with information and the necessary documentation on which to base decisions.
- The CEO's role of presenting reports at Board meetings.
- The CEO's duty and obligation to monitor compliance with the Board's decisions in respect of goals, business concept, strategic plans, the company's Code of Conduct and other guidelines, and, where necessary, request a review of the same by the Board.
- Issues that must always be submitted to the Board, such as decisions regarding major acquisitions and sales or major investments in existing properties.
- The CEO's duty and obligation to ensure that Fabege fulfils its obligations in respect of disclosure, etc. under the company's listing agreement with the Nasdaq Stockholm.

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

Executive Management Team

The CEO directs the work of the Executive Management Team and reaches decisions in consultation with the other

members of management. The Executive Management Team jointly conducts the operational control and manages the business and engages in daily management in accordance with the Board's guidelines, instructions and resolutions. The key to success is having motivated employees. With the aim of creating the best conditions for its employees, Fabege's Executive Management Team is required to establish and gain endorsement for a clear framework and objectives for operations. The Executive Management Team must create the conditions for employees to achieve established objectives by:

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

Faberge's Executive Management Team consists of six individuals, see page 92. The Executive Management Team holds weekly operational meetings and regular decision-making meetings. The meetings address strategic and operational matters such as property transactions, letting, market trends, organisation and monthly and quarterly reviews. Faberge's entire managers' team meets several times a year for discussions regarding such matters as the company's strategies and management issues.

9. Operating segments

Faberge's operational activities are conducted in three business areas: Property Management, Property Development and Business Development/Transactions. Responsibility in the Property Management business area is shared between two managers: Director of Property Management and Director of Technical Operations. Each business area manager is a member of the Executive Management Team and has responsibility for operative control and follow-up. Faberge's activities are goal-oriented at all levels of the organisation. The goals are broken down, developed and established in the different business areas and at co-worker level. Performance measurements and reviews are conducted regularly.

Faberge's sustainability work is conducted as an integral part of all areas of the organisation. To underscore the importance of this work, the company has a sustainability group, in which representatives of all areas of operation are gathered in a joint forum for sustainability issues. The group meets regularly to pursue the development and communication of sustainability issues. The Board has overall responsibility for monitoring the company's sustainability work.



Find out more about Faberge's corporate governance, rules of procedure and instructions at www.faberge.com

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

Policies and guidelines that support operations

Fabege's core values SPEAK (which stands for fast, informal, entrepreneurial, business-minded and customer-focused) and the Code of Conduct serve as a guiding principle for the actions of all our employees. The Code of Conduct highlights Fabege's position on matters concerning human rights, working conditions, the environment, business ethics and communication.

The Board of Directors and the Executive Management Team have specific responsibility for ensuring compliance with the Code of Conduct. The content is revised and monitored annually by the company's Board of Directors and Executive Management Team.

All managers with personnel responsibility are charged with ensuring that the Code of Conduct is known and followed in their specific department/sphere of responsibility. A foundation for the Code of Conduct is that Fabege must comply with applicable laws and other regulations and adhere to generally acceptable business customs and practices, as well as international human rights, labour and environmental standards in accordance with the Global Compact's ten principles and the ILO's fundamental conventions on human rights at the workplace. Fabege has supported the UN's Global Compact since 2011. The company complies with the Worker Codetermination Act and with collective bargaining agreements which regulate such matters as the minimum period of notice.

Policies and guidelines for communication, personnel and business support are decided on by the Executive Management Team, continually updated and made available to all

employees via Fabege's intranet. No-one at Fabege should be discriminated against on the basis of their sex, gender identity or expression, ethnicity, disability, religion or other belief, sexual orientation or age. No cases of discrimination were reported in 2020.

Fabege's Ethics Council, which reports to the CEO and Executive Management Team, serves as support in day-to-day work. The role of the Council is to direct the work, monitor relevant external issues and pursue specific ethical matters. The Council includes representatives from business development, letting, property management, technical operation, projects, HR, communication and finance. Work has been underway for a number of years to improve the organisation's knowledge in respect of business ethics and anti-corruption. Examples of activities include information and training on anti-corruption and bribery legislation, as well as ethical discussions in connection with the company's internal conferences.

Employees are continuously provided with information on matters that have been discussed in the sustainability group and the Ethics Council. Fabege strives to act with credibility on ethical issues and is determined to intercept suspicions of any irregularities at an early stage, preferably through dialogue but also via anonymous reporting systems. For those who wish to remain anonymous, Fabege has established a whistleblower service that can be accessed via the company's website, in which both the report and any subsequent dialogue are encrypted and password protected. The whistleblower service has not been used during the year.



Governance of sustainability work

- The Board of Directors bears overall responsibility for the sustainability strategy and following up Fabege's work on sustainability. The Board has appointed Emma Henriksson as Board member with particular responsibility for sustainability.
- The CEO and the Executive Management Team bear overall responsibility for implementation of the sustainability strategy. Overall objectives are approved by the Executive Management Team and established at Board level.
- The Sustainability Manager coordinates and oversees sustainability issues at Fabege and acts as spokesman in external relations. The Sustainability Manager reports to the Executive Management Team quarterly.
- Fabege has a sustainability team, with representatives from various parts of the organisation. The sustainability team, under the supervision of the Sustainability Manager, proposes objectives and coordinates and follows up activities.
- Managers and individual employees implement the strategy and perform the activities approved.



Fabege's core values (SPEAK) and the Code of Conduct form the basis for the actions of all employees.



Corporate governance 2020

ANNUAL GENERAL MEETING

The AGM was held in Stockholm on 2 April 2020. Jan Litborn was elected to chair the meeting. The AGM was attended by shareholders holding a total of 167.7 million shares, corresponding to 50.7 per cent of the votes represented. A full set of minutes from the AGM is available at www.fabege.com/agm2020. The following are the principal resolutions adopted at the AGM:

Election of Board Members and resolution on Directors' fees

The AGM resolved that the Board should consist of six Board Members and approved the re-election of Anette Asklin, Märtha Josefsson, Jan Litborn, Per-Ingemar Persson and Mats Qviberg and the appointment of Emma Henriksson.

Jan Litborn was elected Chairman. The AGM resolved that a total of SEK 2,100,000 (2,100,000) be paid in Directors' fees in 2020.

Dividends, cash

The dividend was fixed at SEK 3.20 per share, to be paid on two occasions (SEK 1.60 per share on each occasion), with record dates of 6 April 2020 and 6 October 2020.

Principles for appointment of the Nominating Committee

The AGM adopted a set of principles for the appointment of the Nominating Committee and the proposals that the Nominating Committee is required to prepare. The Nominating Committee is to be appointed no later than six months prior to the AGM and representatives of the four largest owners are to primarily be offered positions.

Remuneration of management

Remuneration guidelines were adopted for company management, whereby variable remuneration may be payable at a maximum of nine months' salary. Senior executives who receive variable remuneration undertake to make a long-term investment (for a period of at least three years) of at least two-thirds of this variable salary component after tax in shares in the company. Variable remuneration is tied to a number of pre-established targets. The aim is to encourage participation and commitment by offering senior executives the opportunity to become shareholders in a more structured manner.

Authorisation on share buybacks

The AGM resolved to authorise the Board, for a period ending no later than the next AGM, to acquire and transfer shares. Share buybacks are subject to a limit of 10 per cent of the total number of outstanding shares at any time. Transfers may occur of all treasury shares held by the company at the time of the Board's decision.

AUDITING

The auditors reported their observations and simultaneously presented their views on the quality of internal controls in Fabège at the Board meeting in February 2020. The auditors participated in and presented reports at all four scheduled meetings of the Audit Committee. Reports were also presented to management during the year. A report was also presented on one occasion to the Board during the year

without management being present. Fees paid to the company's auditors are described in Note 43 on page 81.

NOMINATING COMMITTEE

In accordance with the AGM's resolution, the four largest shareholders were offered one seat each on Fabège's Nominating Committee, and on 21 September 2020, the Nominating Committee was announced.

COMPOSITION OF THE NOMINATING COMMITTEE

	Representative	Percentage of votes 21/09/2020, %
Bo Forsén, chairman	Backahill AB	15.5
Eva Gottfridsdotter-Nilsson	Länsförsäkringar fondförvaltning AB	3.0
Peter Guve	AMF Pension	2.9
Mats Qviberg	The Qviberg family	2.3
Total		23.7

Nominating Committee's proposals ahead of the 2021 AGM

The Nominating Committee proposes that the Board shall consist of seven ordinary members with no deputies. The Nominating Committee is of the opinion that the expertise and experience of Board members meets the requirements that may be imposed. The Nominating Committee aims to achieve an even gender balance. The Nominating Committee proposes the re-election of Board members Anette Asklin, Märtha Josefsson, Emma Henriksson, Jan Litborn and Mats Qviberg, and the election of new members Lennart Mauritzson and Stina Lindh Hök. Furthermore, it is proposed that Jan Litborn be elected Chairman of the Board.

The Nominating Committee has also discussed the independence of the members of the Board. The proposal for the Board of Directors of Fabège satisfies the relevant requirements regarding members' independence in relation to the company, company management and the company's major shareholders.

BOARD OF DIRECTORS

Composition of the Board, 2020

Six Board Members were elected to the Board at the 2020 AGM. Jan Litborn was elected Chairman of the Board. Fabège's Chief Financial Officer, Åsa Bergström, acts as the Board's secretary.

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

The work of the Board, 2020

In 2020, the Board held a total of 18 meetings, including six scheduled meetings, three extra meetings, one statutory meeting and eight meetings held by correspondence. There are a number of standing items on the agenda of the scheduled meetings: Financial and operational reporting,

decisions on acquisitions, investments and divestments, strategic market and organisational issues and reporting by the Audit Committee and Remuneration Committee. Any significant ongoing projects are followed up at each scheduled meeting. During the year, the Board has focused on following up a number of specific issues such as ongoing development activities in Flemingsberg, the company's strategy for the development rights portfolio, monitoring the company's sustainability work and sustainability reporting, and updating the base prospectus for Fabege's MTN programme. The interim reports and year-end report are addressed by the Board at a Board meeting held on the date on which the report is released to the market. In addition, the Board addressed a number of other matters (see figure on page 88).

In 2020, the Board resolved on investments relating to the development of properties in the existing portfolio and acquisitions. Approved acquisitions related to Påsen 1 in Hammarby Sjöstad and Regulatorn 2 in Flemingsberg, a forthcoming land allocation at Sveaplan and redemption of co-ownership in SBD, Flemingsberg and Råsta, Arenastaden. Furthermore, decisions were made on the divestment of two properties. The Board also resolved to initiate share buybacks in line with the mandate from the AGM. During the period, 4.6 million shares were repurchased.

At the end of the year, an assessment was made of the Board, which showed that the Board was operating in a highly satisfactory manner. The assessment result was discussed at the Board meeting in December 2020. The Board also carried out an annual evaluation of the CEO's performance, along with its annual review of Fabege's Code of Conduct, tax policy, diversity policy and finance policy.

In light of the current pandemic, the need for more regular follow-up has been met via regular reporting to the Board regarding business performance and the impact of the pandemic on operations.

The Board of Directors' diversity policy

Overall, Fabege's Board of Directors shall for its work have a suitable range of skills and experience for the operations being pursued, and in order to identify and comprehend the risks to which the business is exposed and the rules that regulate the business being conducted. When appointing new Board Members, the individual member's suitability shall be reviewed with the aim of achieving a Board composition with a range of skills that are sufficient for the purposeful control of the company. The composition of the Board shall be characterised by versatility and breadth with regard to the skills, experience, gender, age, education and professional background of the elected members. It is incumbent upon the Nominating Committee to take account of this policy, with the aim of achieving an appropriate composition of the Board with respect to the company's operations and general conditions.

The composition of the Board constitutes an equal distribution between men and women and is otherwise regarded as being representative of a broad range of knowledge and valuable contact networks within relevant areas.

Fees to the Board of Directors

Fees to the Board of Directors are paid according to a decision made at the AGM, and for 2020 fees totalled SEK 2,100,000, of which the Chairman received SEK 550,000 and other board members SEK 240,000 each. In addition, fees in the amount of SEK 200,000 were paid for work conducted by the Board's Audit Committee, of which the chair of the Committee received SEK 100,000 and two members SEK

50,000 each, as well as SEK 150,000 for work carried out by the Board's Remuneration Committee, of which the chair of the Committee received SEK 70,000 and two members SEK 40,000 each.

Remuneration of management

In accordance with the principles of compensation and other terms of employment for management adopted by the AGM, the Board made a decision on the remuneration and other terms of employment for the CEO.

During the year, the Board reviewed compliance with the principles of remuneration for senior executives. The guidelines for remunerating senior executives are detailed on page 73. Remuneration and other benefits and terms of employment for the CEO and management are described in Note 6 on page 72. The company's principles of remuneration and terms of employment, along with the Remuneration Committee's follow-up report, will also be presented at the 2021 AGM.

AUDIT COMMITTEE

In 2020, the Board appointed an Audit Committee from among its own members consisting of Anette Asklin (chairwoman), Märtha Josefsson and Jan Litborn. Four scheduled meetings were held in 2020, focusing on the company's system of internal control. Furthermore, an extraordinary meeting was held to report back on the effects of the pandemic on earnings and financial position. During the year, the Audit Committee addressed areas such as financing, property valuations, insurance and involvement in associated companies. At the scheduled meetings, the company's auditors submitted a report of their review during the year. The minutes from the Audit Committee's meetings were shared with all Board Members, and the Committee's chairwoman submitted regular reports to the Board.

REMUNERATION COMMITTEE

In 2020, the Remuneration Committee was made up of Jan Litborn (chairman), Mats Qviberg and Per-Ingemar Persson. Four meetings were held during the year. The minutes from the Remuneration Committee's meetings are distributed to all Board Members, and the Committee's chairman submits regular reports to the Board. The Remuneration Committee prepares material about remuneration issues ahead of decisions made by the Board.

COMPANY MANAGEMENT

Since the pandemic began in February, Fabege's management team has met more regularly. Initially meetings of the Executive Management Team and the company's crisis management group were held daily. After the summer, meetings continued on a weekly basis for both groups. The Head of HR and Head of Communications also participated in Executive Management Team meetings. Regular information for both the Board of Directors and employees was provided via monthly and weekly newsletters. Fabege's employees were highly encouraged to work from home, and Fabege has supported this move with the loan of essential equipment. Digital manager and employee conferences have been carried out to support leadership and staff in the best way. In addition to the annual employee survey in the autumn, a number of smaller surveys were carried out over the year in order to gain an understanding of employees' situation and support needs. The results show that on the whole, Fabege's employees are doing well and that the support and information is much appreciated.

Board year 2020

In addition to the points described below, resolutions were adopted regarding, for example, investments, acquisitions, divestments, fixed-interest periods and buybacks of shares in the company. In all, 18 Board meetings were held during the year, including meetings held by correspondence.



Report on internal control in respect of financial reporting

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

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

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

CONTROL ENVIRONMENT

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

Ultimate responsibility for ensuring effective internal control and efficient risk management rests with the Board of Directors. To be able to perform its work in an appropriate and efficient manner, the Board has adopted rules of procedure. The Board's rules of procedure are aimed at ensuring a clear division of responsibility between the Board of Directors (including committees) and the CEO (and the Executive Management Team) with a view to achieving efficient risk management in the company's operations and in financial reporting. The rules of procedure are updated annually. In 2020, the Board performed its annual review and adopted rules of procedure for the Board, rules of procedure for the Audit Committee and Remuneration Committee and the company's Code of Conduct. The Executive Management Team is responsible for designing and documenting, and for maintaining and testing, the systems/processes and internal controls that are required to manage significant risks in the accounts and the company's day-to-day activities. The company's CEO and Executive Management Team, along with those individuals who by virtue of their roles in the company are in charge of each defined critical process, function or area, share operational responsibility for internal control.

The company's financial reporting is governed by a set of policies and guidelines. For example, the company has policies regarding finance, the environment, gender equality, communication, insider dealing and tax management. There are also accounting policies and instructions for the closing of accounts, as well as for authorisation of payments and procurement of auditing services. Fabege's policies are continually reviewed and updated as required. All policies have been discussed and adopted by the Executive Management Team. Information concerning adopted policies has also been disseminated throughout the organisation. In addition, more detailed guidelines and instructions are reviewed and

updated regularly. In March, Fabege issued its annual Communication on Progress Report to the UN Global Compact. Work on developing the company's sustainability reporting is conducted continuously. The Sustainability Report is presented in a separate section of this Annual Report, see pages 100–133.

RISK ASSESSMENT

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

- Risk area Property Management: Processes for new lettings, renegotiations and rent payments. Customer relations and customer satisfaction, changes in customer needs, risk of rent losses.
- Risk area Technical Operation: Technical work environment and physical buildings.
- Risk area Property Development and Projects: Planning process and projects, implementation, procurement/purchasing.
- Risk area Valuation and Transactions:
- Risk area Financial Control and Finance: Liquidity risk, interest rate risk, financial information, taxes.
- Risk area Communication: Information management, brand, business ethics.
- Risk area Employees: Lack of resources, dependence on key personnel.
- Risk area Climate and Sustainability: climate change, emissions.
- Risk area Cyber Security and IT: digitalisation, data infringement, GDPR

Fabege's Executive Management Team conducts an annual review and evaluation of risk areas, for the purpose of identifying and managing risk. This is done in consultation with the Board and the Audit Committee, for examination by the auditors. The company's internal processes and procedures provide support for the continuous management of risks.

CONTROL ACTIVITIES

Critical processes, functions and areas are described and documented in respect of division of responsibility, risks and controls. The necessary instructions, procedures and manuals are produced, updated and communicated to the relevant staff to ensure that they have up-to-date knowledge and adequate tools. The measures are aimed at incorporating risk management into the company's day-to-day procedures. Compliance with policies, guidelines and instructions is monitored on an ongoing basis. Employees are given regular training, or as needed, to ensure they have the required expertise. All critical processes are reviewed regularly and in 2020, a selection of the company's critical processes was subject to special review. To supplement the external audit, the company also performed an internal assessment of

compliance and controls in a selection of significant processes during 2020.

A central controller function supports work on the follow-up of the Property Management and Property Development operating units. The controller department is in charge of operational reporting. Operational reports are prepared monthly and quarterly based on a standardised reporting package and submitted for comments/approval to executives with operational responsibility. Reviews and updates by executives with operational responsibility are made continuously throughout the year. Monitoring of outcomes is assessed against budgets and forecasts, which are updated twice a year. A central function prepares consolidated financial statements and other financial reports in close collaboration with the controller function, the operating units and the finance function. This work includes integrated control activities in the form of reconciliation with standalone systems/specifications of outcomes for income and expense items and balance sheet items. The company's operational reporting is developed and improved continuously in terms of both content and system support, as well as availability to executives with operational responsibility.

INFORMATION AND COMMUNICATION

Management is responsible for informing the staff concerned about their responsibility to maintain good internal control. Employees are kept informed about governing policies and guidelines and how the business is performing via an intranet, information briefings and regular newsletters.

Responsibility for external and internal information rests with the Communication Department. Investor Relations activities are based on principles for regular and accurate information in accordance with Nasdaq Stockholm's Rule Book for Issuers. The aim is to improve knowledge of and build confidence in the company among investors, analysts and other stakeholders.

Efforts to improve and further clarify the dissemination of information to the market are ongoing.

During the year, our customer dialogue was strengthened via regular contact.

In November we also conducted an employee survey that produced considerably better results than the previous year, and that is despite the challenges caused by the pandemic. After the summer of 2020, a new intranet was launched based on new technology enabling increased integration and accessibility.

REVIEW

The internal control system needs to change over time. The aim is to ensure that this is continually monitored and addressed via management activities at various levels of the company, both through monitoring of the individuals responsible for each defined critical process, function and area and via regular evaluation of the internal control system. In addition to financial reporting to the Board, more detailed reports are prepared, at more frequent intervals, in support of the company's internal governance and control

activities. Information is made continually available to those with operational responsibility via the company's BI system.

Management reports regularly to the Board based on the adopted instructions for financial reporting, which are designed to ensure that the information provided is relevant, adequate, up-to-date and appropriate. The Audit Committee, which acts as the extended arm of the Board in monitoring the formulation and reliability of financial reports, also reports to the Board. In addition to familiarising itself with the content of and methods used in preparing financial reports, the Audit Committee has studied the way in which the more detailed and frequent internal reporting is used in evaluating and managing various areas of activity. The Committee also performs regular reviews and evaluations of internal controls in respect of the company's critical processes.

It regularly studies the results of the external auditors' examinations of the company's accounts and internal controls. The auditors examine the company's financial reporting in respect of the full-year financial statements and carry out a limited review of one quarterly report.

The Board regularly evaluates the information submitted by the Executive Management Team and the Audit Committee. Of particular significance is the Audit Committee's task of monitoring management's work on developing internal controls and of ensuring that measures are taken to address proposals and any shortcomings that have been identified in the course of examinations by the Board, the Audit Committee or the external auditors.

The Board of Directors has informed itself through its members and through the Audit Committee of risk areas, risk management, financial reporting and internal control and has discussed risks of errors in financial reporting with the external auditors.

In the course of its work on examining and evaluating internal control in respect of critical processes in 2020, the Audit Committee found no reason to alert the Board to any significant issues in respect of internal control or financial reporting.

INTERNAL AUDITING

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



Executive Management Team



Stefan Dahlbo

President and CEO Fabege

Born: 1959

Employed by Fabege and in current position since 2019. Former Member of the Board of Fabege in the period 2003–2007.

External appointments

Member of the boards of, Nordstjernan Kredit AB and Byggmästare Anders J Ahlström Holding AB (publ)

Previous positions

President & CEO Byggmästare Anders J Ahlström Holding AB, CEO & Deputy CEO Investment AB Öresund, CEO Hagström Qviberg AB, acting CEO HQ AB Jun–Dec 2010

Education

MSc in Economics and Business

Shareholding

Privately and through companies
25,500**



Åsa Bergström

Vice President and Chief Financial Officer

Born: 1964

Employed in 2007, in current position since 2008.

External appointments

Member of the boards of Hemsö Fastighets AB and NP3 Fastigheter AB

Previous positions

Senior Manager at KPMG, CFO positions at several property companies, including Granit & Beton and Oskarsborg.

Education

MSc in Economics and Business

Shareholding

39,280**



Anders Borggren*

Director of Technical Operations

Born: 1958

Employed by Fabege and in current position since 2014.

External appointments

Board Member Accessy Intressenter AB and Urban Services AB.

Previous positions

Executive positions at various companies, including Director of Property Management at ISS Facility Services AB, CEO of Arctella AB, Project Leader at Kungsfiskaren AB and Contract Engineer at Skanska.

Education

Master of Science in Engineering

Shareholding

9,645**

**Klaus Hansen Vikström***

Deputy CEO, Director of Business Development (external)
 Born: 1953
 Employed in 2006 and in current position since 2014.

External appointments

No significant external appointments

Previous positions

Managing Director of Stockholm Mode-center, Managing Director and founder of Brubaker AS.

Education

Diploma in Specialised Business Studies

Shareholding

2,105**

**Klas Holmgren**

Director of Projects and Development
 Born: 1970
 Employed in 2001 and in current position since 2010.

External appointments

Vice Chairman Byggherrarna

Previous positions

Platzer Bygg, Site Manager at Peab, Site Manager at Peab Bostad, JM Entreprenad.

Education

Graduate engineer

Shareholding

6,000**

**Charlotta Liljefors Rosell**

Director of Property Management
 Born: 1963
 Employed by Fabege and in current position since 2014.

External appointments

No significant external appointments

Previous positions

The Royal Swedish Institute of Technology, various executive positions at Vasakronan, Head of Business Area Office at AMF Fastigheter.

Education

MSc in Engineering – Surveying

Shareholding

3,382**

*Is leaving Fabege during 2021 at own request.

**Shareholding on 20 February 2021.

The Executive Management Team was expanded on 1 January 2021 with the addition of Charlotte Liljefors, Head of City and Property Development, Gunilla Cornell, Head of HR, and Elisabet Olin, Head of Communications.

Board of Directors and Auditors



Jan Litborn

Chairman of the Board since 2018 and Board Member since 2017.
Born: 1951

Other appointments

Chairman of the Board at: A Hedin Bil AB, Arenabolaget i Solna AB and Buildroid AB. Member of the boards of Anders Hedin AB, Consensus Asset Management AB, Profi Förvaltning AB and Wihlborgs Fastigheter AB.

Education

LL. M. (lawyer) from Stockholm University, Stockholm School of Economics (no degree)

Shareholding

Privately and through companies 30,000

Independent in relation to the company and management

Yes

Independent in relation to major shareholders

Yes

Fee, SEK 000s

670

Attendance Board meetings

18 (18)

Attendance Audit Committee

4 (5), member since April 2020.

Attendance Remuneration Committee

4 (4)



Anette Asklin

Board member since 2016.
Born: 1961

Other appointments

Chairman of the Board at GU Ventures AB, RO Gruppen Förvaltning AB and Inhouse Tech Göteborg AB. Board member of Jernhusen AB, InhouseTech Göteborg AB and Fondstyrelsen at the University of Gothenburg.

Education

MSc in Economics and Business

Shareholding

2,000

Independent in relation to the company and management

Yes

Independent in relation to major shareholders

Yes

Fee, SEK 000s

340

Attendance Board meetings

18 (18)

Attendance Audit Committee

5 (5)

Attendance Remuneration Committee

Not a member



Emma Henriksson

Board member since 2020.
Born: 1975

Other appointments

Member of the board of Fastighetsägarna Sverige.

Education

MSc in Economics and Business and BSc in Community Planning

Shareholding

3,000

Independent in relation to the company and management

Yes

Independent in relation to major shareholders

Yes

Fee, SEK 000s

240

Attendance Board meetings

11 (11) appointed at 2020 AGM

Attendance Audit Committee

Not a member

Attendance Remuneration Committee

Not a member

**Märtha Josefsson**

Board member since 2005.
Born: 1947

Other appointments

Member of the boards of Skandia Fonder AB and Investment AB Öresund.

Education

BSc in Economics

Shareholding

With spouse 251,920

Independent in relation to the company and management

Yes

Independent in relation to major shareholders

Yes

Fee, SEK 000s

290

Attendance Board meetings

18 (18)

Attendance Audit Committee

5 (5)

Attendance Remuneration Committee

Not a member

**Per-Ingemar Persson**

Board member since 2018.
Born: 1956

Other appointments

Chairman of Northern Environmental, Water Solutions and ELU Konsult AB. Board member of Wahlborgs Fastighets AB and Veidekke ASA.

Education

MSc in Engineering, Lund University Faculty of Engineering.

Shareholding

2,000

Independent in relation to the company and management

Yes

Independent in relation to major shareholders

Yes

Fee, SEK 000s

280

Attendance Board meetings

18 (18)

Attendance Audit Committee

Not a member

Attendance Remuneration Committee

4 (4)

**Mats Qviberg**

Deputy Chairman since 2012 and Board member since 2001.
Born: 1953

Other appointments

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

Education

MSc in Economics and Business

Shareholding

With spouse 7,106,054

Independent in relation to the company and management

Yes

Independent in relation to major shareholders

Yes

Fee, SEK 000s

280

Attendance Board meetings

18 (18)

Attendance Audit Committee

Not a member

Attendance Remuneration Committee

4 (4)

**AUDITOR****Peter Ekberg**

Auditor-In-Charge at Fabège since 2020.
Authorised Public Accountant at Deloitte AB.
Born: 1971

Audit assignments for other major companies: Loomis AB, Swedish Match AB and SJ AB.

CHANGES IN THE BOARD OF DIRECTORS IN 2020**Eva Eriksson**

Member of the Board until the AGM held on 2 April 2020.

Attendance Board meetings

7 (7)

Attendance Audit Committee

1 (1)

Signing of the Annual Report

The Board of Directors and Chief Executive Officer hereby certify that:

- the Annual Report has been prepared in accordance with the Swedish Annual Accounts Act and RFR 2
- the Annual Report provides a true and fair view of the company's financial position and results, and
- the Directors' Report provides a true and fair overview of the development of the company's business, position and results and
- describes significant risks and uncertainties faced by the company.

Furthermore, the Board of Directors and Chief Executive Officer certify that:

- the consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as referred to in Regulation (EC) No 1606/2002 of 19 July 2002 on the application of international accounting standards
- the consolidated financial statements provide a true and fair view of the Group's financial position and results, and
- the Directors' Report for the Group gives a true and fair overview of the development of the Group's business, results and position and describes significant risks and uncertainties faced by the companies included in the Group.

Stockholm, 1 March 2021

Jan Litborn
Chairman

Anette Asklin
Board Member

Emma Henriksson
Board Member

Märtha Josefsson
Board Member

Per-Ingemar Persson
Board Member

Mats Qviberg
Deputy Chairman

Stefan Dahlbo
Chief Executive Officer

Our Auditor's Report was submitted on 1 March 2021
Deloitte AB

Peter Ekberg
Authorised Public Accountant

Auditor's Report

To the Annual General Meeting of Fabege AB (publ) company registration number 556049-1523

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Fabege AB (publ) for the financial year from 1 January 2020 to 31 December 2020 with the exception of the Corporate Governance Report on pages 92–96. The annual accounts and consolidated accounts of the company are included on pages 43–81 of this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2020 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as at 31 December 2020 and of their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 92–96. The Directors' Report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the statement of comprehensive income and statement of financial position for the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent in relation to the parent company and group, in accordance with generally accepted auditing standards in Sweden, and have in other respects fulfilled our ethical responsibility according to these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014/EU) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgement, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Valuation of investment properties

Description of risk

Faberge recognises investment properties at fair value and the portfolio at 31 December 2020 is recorded at SEK 76,648m. During the year the entire portfolio has been valued by independent appraisers. Each quarter, internal valuations are also conducted of parts of the portfolio, as well as an internal assessment of the overall value for the entire portfolio. The valuations are carried out in the form of an individual assessment of each property's future earnings and market yield. Changes in value can occur either as a result of macro and micro economic or property-related causes. The valuations are based on estimates and assumptions that can have a significant impact on the Group's income and financial position. For further information please refer to the description of risks and risk management on pages 48–57 and Notes 4 and 15 in the annual report.

Work performed

Our work included the following procedures, but was not limited to these:

- We have reviewed and assessed Faberge's procedures to prepare input to both internal and external valuations, and whether procedures are consistently applied and whether there is integrity in the process.
- We have reviewed the input data and calculations in the internal valuation model as well as in the external valuations of a selection of properties for assessing the completeness and valuation.
- We have assessed the reasonableness of the assumption on which the company's valuation is based by comparing with external data sources and the assumptions of previous years, with actual outcomes.
- We have assessed the competence and objectivity of the independent appraisers.
- We have examined relevant notes to the financial statements.

Accounting for project properties

Description of risk

During 2020 Faberge invested SEK 1,854m in new builds, extensions and conversions of properties. Projects involving

conversion/ maintenance and adaptations for tenants are recognised as an asset to the extent that the work being undertaken adds value in relation to the latest valuation. Other expenses are recognised as an expense immediately. Project properties undergoing major redevelopment or new builds with contracted tenants are subject to cash-flow valuations, other project properties are valued using the location-price method. Valuations of ongoing projects are based on estimates and assumptions that can have a significant impact on the Group's income and financial position. For further information, refer to the description of risks and risk management on pages 48–57 and Note 15 in the annual report.

Work performed

Our work included the following procedures, but was not limited to these:

- We have examined Fabege's procedures for the development and improvement of properties, including the process for investment decisions, authorisation instructions and follow-up of project outcomes.
- We have reviewed the recognition of project profits in ongoing projects.
- We have examined a sample of capitalised expenses in projects.

Accounting for income taxes

Description of risk

Fabège's income tax reporting is complex and contains a high degree of judgement. Consideration needs to be given primarily to the presence of tax loss carryforwards and temporary differences related to properties and changes to tax legislation. Erroneous judgements and assumptions could have a significant impact on the Group's income and financial position. For further information, please refer to the description of risks and risk management on pages 48–57 and Notes 4, 14 and 28 in the annual report.

Work performed

Our work included the following procedures, but was not limited to these:

- We have reviewed and assessed Fabège's procedures for calculation of current and deferred tax.
- We have examined the calculations of current and deferred tax and evaluated it against current tax legislation.
- We have examined the treatment of realised and unrealised gains and losses on derivatives and property transactions in the tax calculations.
- We have examined management's assessment of the possibility to use tax loss carryforwards.
- We have examined relevant notes to the financial statements.

Information other than the annual accounts and consolidated accounts

Such other information consists of the remuneration report and information other than the annual accounts and the consolidated accounts and is provided on the pages not comprising the annual report, the sustainability report or the corporate governance report. The Board of Directors and

the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, the Board of Directors and the Managing Director are responsible for the assessment of the company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Styrelsens revisionsutskott ska, utan att det påverkar styrelsens ansvar och uppgifter i övrigt, bland annat övervaka bolagets finansiella rapportering.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibilities for the audit of

the annual accounts and consolidated accounts is located at the Swedish Inspectorate of Auditors website: www.revisorsinspektionen.se/revisornsansvar. This description forms part of the auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Fabege AB (publ) for the financial year 1/1/2020–31/12/2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent in relation to the parent company and group, in accordance with generally accepted auditing standards in Sweden, and have in other respects fulfilled our ethical responsibility according to these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organisation and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organisation is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a satisfactory manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a satisfactory manner.

Auditor's responsibilities

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission that may give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibilities for the audit of the annual accounts and consolidated accounts is available at the Swedish Inspectorate of Auditors website: www.revisorsinspektionen.se/revisornsansvar. This description forms part of the auditor's report.

Auditor's examination of the corporate governance statement

The Board of Directors is responsible for ensuring that the corporate governance statement on pages 92–96 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 Auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with Chapter 6, § 6, second paragraph, points 2–6 of the Annual Accounts Act and Chapter, 7 § 31, second paragraph in the same Act are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Acts.

Deloitte AB was appointed auditor of Fabege AB (publ) by the Annual General Meeting of the shareholders held on 2 April 2020, and has been the company's auditor since 4 April 2002.

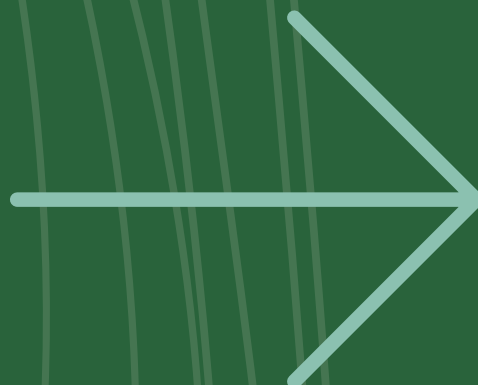
Stockholm, 1 March 2021
Deloitte AB

Peter Ekberg
Authorised Public Accountant

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Our ambition does not stop at developing sustainable city districts, properties and premises. We aim to contribute to a sustainable Stockholm. We work with a holistic perspective to strengthen our districts as experience-based meeting places, where convenience and comfort are the primary focus. We now need new ways of satisfying increasing demand for quality of life with the minimum carbon footprint.



Sustainability Report

Viable cities and communities

We know what is needed in order to implement a successful urban development project, and we have the right conditions in which to do so. Our sustainability strategy is an integral part of our business concept, business model and corporate culture.

Our concept isn't primarily about constructing buildings. It's about creating the conditions to help people and companies thrive. Fabege's economic, environmental and social responsibility is based on the UN's Sustainable Development Goals and the Paris Agreement. Each day our organisation, in ways large and small, helps ensure that the Stockholm region becomes a more sustainable place.

We are working to promote quality of life in our districts. Experiences, services, learning, culture, equal opportunities

and good health are all important aspects of our work. We work actively to build a sustainable urban environment that satisfies the needs of today without compromising the ability of future generations to meet their own needs. We also endeavour to manage the challenges that are of particular significance to our sector: safe neighbourhoods for all, construction sites where there is gender equality, achieving climate goals, as well as reducing corruption and increasing respect for human rights.

UN agenda

The 2030 Agenda and our role in a broader context

The UN's 2030 Agenda for Sustainable Development serves as a guide in efforts to ensure global development is sustainable in the long term. By joining forces in support of the 17 Sustainable Development Goals (SDGs), the countries of the world aim by the year 2030 to have eradicated poverty and hunger, made human rights for everyone a reality, achieved gender equality and established lasting protection for our planet and our natural resources. The business sector has an important role to play here, and rapidly growing awareness that a transition in the use of resources is essential imposes tough requirements on the construction and property sector.

That's why Fabege spent the past year seriously getting to grips with its work on the SDGs. We have identified strong synergies between the goals. So we have focused heavily on those areas that present the most significant challenges for our business, namely goals **3, 7, 9, 10, 11** and **12**.

Our ambitious sustainability work has resulted in many of the SDGs now becoming hygiene factors for our business. This applies in particular to, for example, gender equality, Goal 5. These issues have long been a vital and natural part of our day-to-day operations. Goal **13**: Climate Action. We regard this as a direct consequence of our work with goals **9, 11** and **12**.



The latter goals are therefore prioritised in order to effectively manage all these challenges.

We know that our work has an impact on all 17 SDGs. So we are well aware that we need to work hard and remain focused on those areas where we have the greatest opportunities to contribute towards sustainable development.

How to achieve the sustainable city

The fact that we are a major property owner in our submarkets means we are able to take significant responsibility for whole areas and contribute towards making Stockholm a more climate-friendly location. At the same time we want to help increase enjoyment of, and safety in the street environment, particularly by adding interesting and unexpected elements to our everyday lives that create life between the buildings. We use green financing to create sustainable buildings, environments and a long-term healthy and pleasant city for those who spend time here. We adopt an active role and consider the entire area. All the time.

Examples of Fabege's targets

City districts

- Sustainability programme for each district project
- Facilitate physical activity for healthy lifestyle

Find out more on pages 106–107.



Properties

- Carbon neutral property management (Scopes 1 & 2) and cutting indirect emissions by half (Scope 3) by 2030
- Certified 100% according to BREEAM In-Use Very Good or BREEAM-SE Excellent

Find out more on pages 108–111.



Employees

- Confidence rating of over 85%
- Low sickness absence

Find out more on pages 114–117.



Activities in 2020

- Arenastaden certified by Citylab – assessment of district from a sustainability perspective
- Opening of Street Gallery Pep Park; a street-based art exhibition in Solna Business Park

Find out more on pages 106–107.

- Established Science Based Targets
- Two properties were certified to BREEAM In-Use standard, Excellent

Find out more on page 110.

- Individual career development plan
- Equipment for home office
- Health and fitness programmes
- Active communication plan

Find out more on pages 114–116.



Supplier chain

- Screening of all strategic suppliers

Find out more on pages 118–120.



- Comprehensive review of 18 strategic suppliers

Find out more on pages 105, 118–120.

Financing

- 100% Green funding by 2020

Find out more on pages 122–123.



- Increased proportion of green funding to 100%
- Examined significance of new Taxonomy Classification System and EU standard for green bonds

Find out more on pages 122–123.

Customers

- 100% green leases
- CSI rating of at least 80

Find out more on pages 105, 124.



- Customer meetings about green leases
- Follow-up and evaluation of customer surveys

Find out more on page 124.

Business ethics and moral approach

- Annual training in Fabège's Code of Conduct.
- All framework agreement suppliers to sign Fabège's Code of Conduct for suppliers

Find out more on pages 105, 125.



- Regular information and training for employees to enable breaches of Code of Conduct to be identified

Find out more on page 125.

Sustainability targets

City districts	Outcome 2020	Outcome 2019	Short-term goal	Long-term goal
Proportion of renewable energy, %	96 ¹⁾	91 ¹⁾	100	100 per cent energy from renewable sources.

Properties	Outcome 2020	Outcome 2019	Short-term goal	Long-term goal
Energy performance, total energy, kWh/sqm Atemp	74	81	max. 77 years 2023	Average max. 77 kWh/sqm Atemp. New builds, max. 50 kWh/sqm Atemp. Existing portfolio, max. 85 kWh/sqm Atemp.
Energy produced from solar panels, kWh/sqm Atemp.	0.56	0.36		Energy produced from solar panels 2.5 kWh/sqm Atemp by 2030.
Recycling of waste	53	49		90 per cent recycling.
Water consumption, litres/sqm Atemp	318	402		Reduce water consumption per sqm/Atemp.
Environmental certification, number of investment properties	59 ²⁾	59 ²⁾		
Environmental certification of new builds, proportion of total lettable area, %	100	100		100 percent of new builds, to BREEAM-SE standard with ambition Excellent level.
Environmental certification existing portfolio, proportion of total lettable area, % ³⁾	100	100		All investment properties (excluding future development properties) are to be environmentally certified to BREEAM In-Use standard with ambition Very Good level.
Proportion of electric or hybrid cars – service vehicles and company cars, %	96	73	100	100 per cent.
Carbon dioxide emissions, tonnes				Carbon neutral property management (Scopes 1 and 2) by 2030. Indirect emissions (Scope 3) to be halved by 2030.
Scope 1	22	22		
Scope 2	1,416	1,933		
Scope 3	4,108	561		
Total	5,546	2,516		
Carbon offset by district heating supplier	-1,254	-1,726		
Net emissions after carbon offset	4,292	790		

Employees	Outcome 2020	Outcome 2019	Short-term goal	Long-term goal
Satisfied employees, confidence rating, %	79	74	>80	Confidence rating will exceed 85 per cent by 2023.
Recommend Fabège as an employer, %	93	87	90	More than 90 per cent of employees who recommend Fabège as an employer.
Low sickness absence, %	2.4	2.9	< 3	Maintain low level of sickness absence, aided by regular medical check-ups and continued health and fitness programmes.
Gender equal management, % women	33	33		Aim is to achieve an even gender balance.
Gender equal managers, % women	39	45		Aim is to achieve an even gender balance.
Gender equal employees, % women	37	35		Aim is to achieve an even gender balance.

¹⁾ Our supplier has been unable to supply 100 per cent renewable energy. Other energy has been carbon offset.

²⁾ Approximately 5 per cent are registered ongoing certifications.

³⁾ Three properties are in the process of certification.

Supplier chain	Outcome 2020	Outcome 2019	Short-term goal	Long-term goal
Screening of strategic suppliers, %	100	98	100	All strategic partners will be sustainability-inspected and approved (corresponds to approx. 75 per cent of total purchasing volume).
Financing	Outcome 2020	Outcome 2019	Short-term goal	Long-term goal
Green financing, %	100	84	100	100 per cent green financing.
Customers	Outcome 2020	Outcome 2019	Short-term goal	Long-term goal
Customer Satisfaction Index	n/a	n/a	80	CSI rating shall be 80. The survey is carried out every three years, most recently in 2017 with a rating of 78. A new CSI survey will be carried out in 2021.
Green leases ¹⁾ , proportion of newly-signed lettable area, %	96	94	100	Green leases will account for 100 per cent of newly-signed lettable area.
Green leases, proportion of total lettable area, %	73	75	100	Green leases will account for 100 per cent of total lettable area.
Business ethics and moral approach	Outcome 2020	Outcome 2019	Short-term goal	Long-term goal
Annual training in Fabege's Code of Conduct	✓	✓		Keeping the dialogue on ethical issues alive throughout the company via activities and forums.

¹⁾ Lettable area above ground, excluding housing units.



Our view of sustainable urban development:

The whole company, the whole person, the whole location. All the time.

Fabege has considerable opportunities to contribute to sustainable urban development. We work with clear goals to make improvements to the city for all its inhabitants.

Fabege will, can and shall be a driving force in the development of a sustainable city. Our geographically concentrated property portfolio means we have good opportunities to influence entire districts. Long-term planning and effective relationships with customers, municipalities and entrepreneurs enable us to take an active role in developing the city.

An inclusive city

A thriving, growing district needs to be varied and offer something for everyone who lives in, works in or visits the area. It should be attractive, accessible and a pleasant place to be. As an urban developer, we focus on everything from the vibrancy of a place, with its restaurants and services, to making sure it feels safe to move around. It should also be easy to opt for sustainable travel alternatives. We work actively to create dynamic environments with a human presence for much of the day and night. The aim is for our districts to feature and be designed according to three key principles:

- Attractive street environments that are safe, pleasant and have green spaces
- A thriving district in the evenings and on weekends as well
- A high-quality and varied range of services

Health in the sustainable city

Fabege is keen to help create the best conditions for everyone who spends time in our districts to live healthy lives. So we design our districts to encourage increased activity and movement, for example by promoting cycling and planning pedestrians routes. These initiatives help improve public health and create a more appealing neighbourhood with less traffic. The pandemic has also put the spotlight on mental health, which has become an increasingly prioritised area for Fabege.

We are living in a society and at a time characterised by greater polarisation and growing inequality. We are working hard to promote diversity in our areas and we want to help develop inclusive street environments. One example is the 'Pep Park' concept, which offers opportunities to meet new people while also encouraging spontaneous movement in an everyday setting. These activity parks are designed for all ages and have been developed as part of a collaboration between Fabege, Generation Pep and the City of Solna. Our second Pep Park opened during the year, this time in Arenastaden.

Cultural life between buildings

Our tenants are looking for interesting experiences and variation with unusual features in their districts. Our latest initiative, 'Life between buildings', aims to inject some character into the street life in our areas via public art and culture. Varied and unexpected features in our districts will be created by both established artists and local school students. One example is the Street Gallery art exhibition in Solna Business Park, where promising artists are being given the opportunity to display their work in the street environment. Arenastaden is also home to a mural by artist Elina Metso, as well as works by secondary school students from the local Ulriksdal School.

Innovation in the smart city

One important aspect of our sustainability work involves using innovative solutions to introduce improvements and make life easier, primarily for our customers spending time in our districts. Using connected buildings technology means we are able to reduce energy consumption in our properties. It also enables us to control them more efficiently and adapt to people's needs. This helps us ensure customers' health and wellbeing in our premises and properties. Digital solutions also help us improve physical security in our areas, partly via greater control of entrances and exits to buildings, and on construction sites. During the year we set up our own emergency management centre as part of efforts to improve security at our locations. The emergency centre in Arenastaden is manned around-the-clock and can swiftly respond to reports relating to operational disturbances, break-ins or fire throughout our entire property portfolio. We have also introduced CCTV at certain exposed locations, such as parking areas.

Sustainable travel

In order to achieve the 1.5 degree target adopted by the Paris climate change conference in 2015, society needs to halve greenhouse gas emissions every ten years, requiring a reduction in emissions of at least seven per cent per year. The property industry has considerable potential to influence travel between work and the home. We are therefore keen to be on board and leading the trend towards more sustainable travel alternatives in our districts.



Project CERO

To reduce the carbon footprint from travel to and from our properties we have launched a partnership with senior lecturer Markus Robèrt, who developed the CERO process tool. Many of the major companies that have moved to our districts have also chosen to work with CERO. An extensive travel habits survey that has been carried out with employees in Arenastaden reveals that 52 per cent travel to and from their workplaces using public transport, and that a further 20 per cent cycle or walk. This is the highest measured value for sustainable travel in the ten districts that have so far been analysed by CERO. We are working with companies in Arenastaden and the municipality, SL (Stockholm Public Transport) and MTR, which runs the metro and commuter trains in Stockholm, on a plan of action to further increase the proportion of sustainable travel. Some of the measures planned include improved cycle paths, more public transport connections, flexible working alternatives and an extended range of pooling services for cars, electric mopeds and electric bikes, as well as the continued roll-out of charging points for electric vehicles.

Transport in the districts

We are continually installing car charging stations both at properties and in street environments to make it easier for our customers' employees to travel sustainably. Fabege's entire fleet of service vehicles is made up of electric cars.

In Arenastaden we are taking part via our co-owned company Urban Services in the Last Mile Logistics project, along with Ragn-Sells, Catena and Servistik. The project aims to jointly transport, fossil-free and quietly, goods and waste into and out of the district. Central to the initiative is the creation of a co-loading centre where all hauliers drop off and pick up parcels. Parcels destined for shops and offices in the area are then delivered by green vehicle in a coordinated and structured way. The vehicles used for transport in the area should as far as possible be electric.

Governance

The Sustainability Manager, who reports to the Executive Management Team, has strategic responsibility for the districts' sustainability programmes. Operative responsibility lies with business development and the property developers. Fabege uses the Citylab Action programme to develop sustainability programmes for its districts. Citylab Action's chief purpose is to support urban development projects in formulating sustainability goals, and to ensure these are realised in the urban construction process. In order to quality assure our urban development projects we work with the environmental certification system BREEAM, which covers buildings as well as their social and environmental impact on the surrounding area. 82 per cent of our total lettable area was environmentally certified by the end of 2020.



From planning to letting:

Fabège takes responsibility throughout the process

Traditional urban development includes municipalities, construction firms and property companies that each play their part in the process. At Fabège we endeavour to get involved much earlier on in the planning process. We take responsibility throughout the entire process and set the bar high, together with municipalities. Via partnerships with municipalities and construction firms, we ensure that our shared visions become a reality.

Urban planning
MUNICIPALITY/FABEGE

Construction process
FABEGE/CONSTRUCTION FIRM

Property Management
FABEGE



Future-proof properties

Fabege is keen to play its part in helping achieve the emissions targets set out in the Paris Agreement, and we plan to do this by establishing clear targets and carefully considering our priorities. We have seen that reduced energy consumption and carbon footprint can be achieved via long-term initiatives in our day-to-day operations. So we are working actively with our properties with regard to everything from digitalisation and health, to certification and materials.

Our ultimate goal is for our property management to be carbon neutral by the year 2030 (Scopes 1 and 2). Achieving this goal will require meticulous work to create well balanced properties that meet environmental requirements and promote people's long-term needs. Fabege works systematically and purposefully to reduce its negative impact on the environment and climate throughout the entire life cycle of our buildings, from the planning, project design and construction phase, via property management, renovation and demolition.

To support the company's desire to adjust operations to help achieve the 1.5-degree target according to the Paris Agreement, last year Fabege linked up with the Science Based Targets Initiative (SBTi). The initiative is a collaboration between the Carbon Disclosure Project (CDP), the UN Global Compact (UNGC), the World Resource Initiative (WRI) and the World Wide Fund for Nature (WWF). The initiative supports companies all over the world in setting climate targets that are in line with the Paris Agreement. It also makes it easier for businesses to measure their carbon footprint in relation to the global carbon dioxide budget instead of an arbitrary reduction. During the year, within the framework of the initiative, we have agreed on a climate target based on SBTi's guidelines. We have directed our focus on opportunities to measure and reduce our indirect carbon dioxide emissions, or Scope 3 emissions, arising at various stages of the building production process. The target has been approved by SBTi.

We understand that we have a huge task ahead of us and the industry as a whole, but at the same time we regard the transition towards a long-term, sustainable and profitable business sector as a major opportunity. According to climate research, the 1.5-degree target is essential in order to mitigate the worst effects of climate change. According to the Swedish Environmental Protection Agency, homes and premises also account for just over a third of Sweden's total energy consumption. It is for this reason that reducing our climate impact and energy usage are two of our most important overriding sustainability issues.

New insights take us in the right direction

During the year we engaged with our stakeholders and conducted a materiality analysis in order to gain a better understanding of the sustainability goals that our stakeholder groups feel are the most significant for the development of our business going forward. We were also supported by the Stockholm Environment Institute (SEI) in assessing these

goals to see where we have the greatest opportunity to impact progress via our current strategy. These analyses confirm that we have made the right priorities in many areas, but they have also given us new insights.

We believe we have the greatest opportunities to help reduce our carbon footprint and to promote sustainable development by monitoring the following goals on a daily basis:

- Responsible Consumption and Production
- Sustainable Industry, Innovation and Infrastructure
- Sustainable Cities and Communities
- Good Health and Wellbeing
- Affordable and Clean Energy
- Reduced Inequalities

Focus on innovation, health and managing effects of climate change

Alongside our efforts to reduce our carbon footprint, we also need to manage the physical risks that come with climate change. We do this by continually making sure that our business model is robust and that we are well equipped to manage the challenges and opportunities that are a consequence of the shift in society. Innovative and digital solutions play an important part in this work. They help us adapt operations to climate change, but also to respond to people's psychosocial and comfort needs in our properties and districts. These needs have been front and centre as a result of the pandemic. We also regard improved wellbeing in the individual as a key success factor in a society that is increasingly characterised by growing inequality and increased polarisation.

Setting our sights on carbon neutral property management

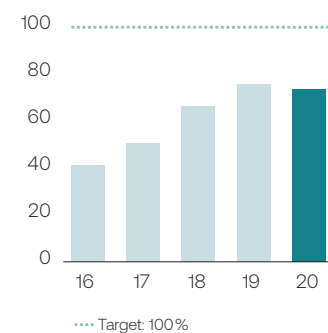
If we are to succeed in achieving our overall goal of carbon neutral property management by 2030, then we need to be in control of all emissions associated with our operations. It also means we have to minimise Fabege's negative climate and environmental impact to the greatest possible extent using all available means. One intermediate goal along the way is our intention to invest in solar panels every year corresponding to at least 320 MWh in new and existing properties. Today, solar panels are an integral aspect of Fabege's planning process for new properties. By 2030, our solar panels should be producing 2.5 kWh/sqm of heated area, known as Atemp according to the definition established by

EPRA Sustainability Best Practice Performance Measures¹⁾

Impact Category	EPRA Code	Measurement Unit	Indicator		Absolute measures (Abs)		Like-for-like (Lfl)			
					2020	2019	2020	2019	Change, %	
ENERGY	Elec-Abs,Elec-Lfl	MWh	Electricity	for landlord shared services	23,608	32,544	23,193	25,297	-8.3%	
				(sub)metered exclusively to tenants	18,683	22,996	18,681	19,147	-2.4%	
				Total landlord-obtained electricity	42,291	55,540	41,874	44,443	-5.8%	
				% from renewable sources	100	100	100	100	0	
	No. of applicable properties				Electricity disclosure coverage	61	65	58		
	%				Proportion of electricity estimated	0	0	0	0	
	DH&C-Abs, DH&C-Lfl	MWh	District heating & cooling	for landlord shared services	60,047	68,825	58,489	64,081	-8.7%	
				(sub)metered exclusively to tenants	6,667	7,506	6,608	8,190	19.3%	
				Total landlord-obtained heating & cooling	66,714	76,331	65,097	72,271	-9.9%	
				% from renewable sources	93	91				
	No. of applicable properties				Heating & cooling disclosure coverage	61	65	58	58	
	%				Proportion of heating & cooling estimated	0	0	0	0	
	Energy_int	MWh/m²/year	Energy intensity		0.074	0.081	0.075	0.082		
GHG EMISSIONS				Total Scope 1	22	22 ³⁾				
				Total Scope 2	1,416	1,933			-27%	
				Total Scope 3	639	561				
	No. of applicable properties				GHG disclosure coverage	80	78			
	%				Proportion of GHG estimated	0%	0%	0%		
	GHG-Int			(Scope 1 + Scope 2) / m²	1.0	1.6 ⁴⁾			-38%	
WATER	Water-Abs, Water-Lfl	m³	Water	Total water consumption	357,910	505,260	354,478	460,896	-30.0%	
	No. of applicable properties				Water disclosure coverage	61	65	58	58	
					Proportion of water estimated	0	0	0	0	
	Water-Int	m³/m²/year	Water Intensity		0.318	0.402	0.325	0.422		
WASTE	Waste-Abs ⁵⁾	Tonnes		Total hazardous	31	40			-22.5%	
		Tonnes		Total non-hazardous	2,964	4,063			-27.0%	
		Tonnes		Recycled	1,590	2,023			-21.40%	
		Tonnes		Incineration	1,396	2,073			-32.66%	
		Tonnes		Landfill	8	7			14%	
	No. of applicable properties				Waste disclosure coverage	59	60			
	%				Proportion of waste estimated	0	0	0	0	
CERTIFIED ASSETS	Cert-Tot	%	Mandatory (Energy Performance Certificates)	% of portfolio certified by floor area	81	n/a				
		%		% of portfolio certified by number of properties	79	n/a				

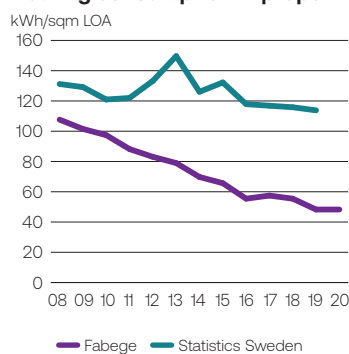
¹⁾ Further information is available at fabege.se/EPRA.²⁾ Based on refrigerants 2019.³⁾ Utgått från köldmedia 2019.⁴⁾ In the 2019 Annual Report, 1.6 was rounded off to 2.⁵⁾ Waste from properties in use (tenants and Fabège, excluding construction waste).

Proportion green leases of total lettable area, %



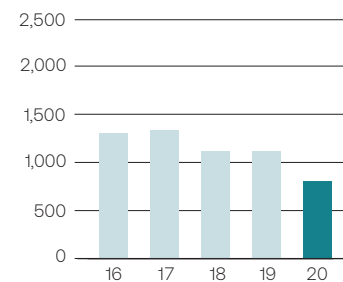
The aim is for green leases to account for 100 per cent of total lettable area.

Heating consumption in properties



Over time, Fabège's systematic efforts to optimise running costs have drastically reduced the consumption of heat in our properties. Fabège's heating consumption in 2020 averaged 49 kWh/sqm LOA and 44 kWh/sqm Atemp (44). Figures from Statistics Sweden for 2020 are not yet available.

Carbon dioxide emissions, tonnes



Fabège's emissions (Scopes 1 & 2) have been reduced by 98% since 2002.

Boverket (the Swedish National Board of Housing, Building and Planning). Our target for new-builds is twice that, or 5.0 kWh/sqm per year.

Since 2002, Fabege's carbon dioxide emissions (Scopes 1 & 2) have declined by around 98 per cent from roughly 40,000 to approximately 800 tonnes, including carbon offset from district heating suppliers.

We have managed to achieve our positive results to reduce emissions levels through systematic energy optimisation, with conversion to district heating and replacement of cooling machines with district cooling. We have also succeeded in streamlining our energy solutions by recycling cooling, improved heat recovery and building envelope measures. Changes in the property portfolio have also contributed to our progress. By replacing our service cars with electric cars, we now have zero emissions per year. Our company car policy promotes electric and hybrid vehicles, and all our service vehicles are electric.

Energy efficiency improvements in operations

Faberge's energy strategy takes a holistic approach to the energy issue for our properties, districts and projects. Imposing stringent environmental requirements when purchasing energy and customising energy use to tenants' needs using digital technology are important tools for reducing energy consumption. We monitor and analyse energy usage hourly to identify any deviations in energy performance early on. Extensive checks are conducted at building and company level via an energy follow-up system that scans and processes all recorded consumption values. Considerable emphasis is placed on continually promoting energy efficiency improvements in our day-to-day work as well. We only use 'Good Environmental Choice' district heating in the properties in Solna and Sundbyberg, and for Stockholm inner city we buy carbon neutral district heating. We also cooperate with tenants on reducing their energy use, primarily by increasing the number of green leases. The aim is for green leases to account for 100 per cent of the total lettable area above ground.

Reporting of emissions

Faberge reports emissions of greenhouse gases in accordance with the GHG Protocol. Direct emissions, Scope 1, comprise emissions from journeys using the company's vehicles and refrigerant leakage. These emissions are relatively limited compared with indirect emissions from purchased energy, Scope 2, which constitutes the largest proportion of the emissions currently reported by Faberge.

Significant indirect emissions, Scope 3, are however generated in the construction of new-builds and renovations via, for example, life-cycle emissions from materials and via waste management and transportation. During the year, Faberge has carried out thorough investigations to look at how we can gain a more comprehensive picture of these emissions, which we know are more significant. Our work has encompassed finding out where in the production chain these emissions arise, and the best way of measuring and monitoring them. We have also looked into how we can use contracts to encourage building production managers to develop internal systems for reporting carbon dioxide emissions. Over the year Faberge has had its climate goals approved by the Science Based Targets Initiative.

Conscientious materials selection

Environmentally sustainable buildings need environmentally sustainable building materials, which also includes the materials being made and transported in a long-term sustainable way. We maintain a firm focus on the issue of materials, and it is covered within the framework of our supplier screening process. Although indirect emissions are beyond Faberge's control, we are able to exert an influence via choice of materials in our purchasing. We endeavour to be clear when ordering materials and aim for environmentally safe materials with climate declarations to be the natural choice in day-to-day operations. Our objective is for 100 per cent of our building materials to be environmentally safe in accordance with Byggarbeteckningen (Building Material Assessment). By using the right materials and the right methods from the start, and also making use of any materials that can be reused, we reduce our environmental impact in both the short and long term.

Circular material flows

Large quantities of building products and decorating material are thrown out unnecessarily. An important part of our effort to make considered material choices is about creating good opportunities for dismantling, reuse and recycling via what are called circular material flows. By using the right materials and assembly methods from the outset and making use of materials from our redevelopment projects, we can help reduce our environmental impact in both the short and long term. During the year we carried out an inventory of reused materials in the majority of our vacated properties and buildings due to be vacated. In the development plans

Certifications*

System	No. of	Sqm, LOA	Proportion of certified area, %
BREEAM In-Use	45	638,440	62
BREEAM-SE	9	250,422	25
BREEAM Bespoke	1	7,460	1
Green building	1	6,164	1
Miljöbyggnad	3	109,508	11
Total environmentally certified properties	59	1,011,994	100

*The properties that have not yet begun certification consist of land and development property for future project development.

Faberge's environmental certifications for quality assurance

BREEAM

The British environmental certification system BREEAM is the most widely used of the international systems in Europe. The system encompasses project management, the building's energy use, indoor climate conditions, water consumption and waste management, as well as land use and the building's impact on the surrounding area. BREEAM-SE has been developed to allow buildings to be certified according to Swedish regulations and BREEAM In-Use is used for existing buildings.

CITYLAB ACTION

Citylab Action is an advisory forum for sharing knowledge of sustainable urban development, organised by Sweden Green Building Council (SGBC). Commitments and effect targets are established by SGBC, while project goals and measures are specific to each individual project. Those who want to certify their sustainability work must also satisfy a set of certification requirements.

for Haga Norra we have also launched a number of large-scale projects working with reclaimed bricks. We have also initiated a research project together with several major construction firms to look into how we can improve at reusing frames and joists. Fabege's objective is to increase reuse by always conducting inventories of reusable materials before carrying out tenant customisations, and at the project development stage.

Waste management – calculation methods and results

Faberge aims to increase levels of recycling and minimise the amount of waste being sent to landfill and for incineration. Construction waste is managed by individual contractors, and in 2020 we further tightened our contracts regarding the reporting of waste statistics, which makes it easier for us to follow up waste management in our construction projects and improve resource management. For some time we have had specific requirements in all our contracts regarding sorting of waste. Properties that are certified to BREEAM standard are also subject to special rules regarding areas such as recycling and waste management. The latest digital tools are vital in order to be able to trace and standardise, name and follow up construction components and products used in the building process, and the vast quantities of information that need to be managed require dedicated system support and established working methods and processes. The basis of calculation for waste from existing managed properties consists of data from the company's lead contractors for waste, reported by amount, type and weight. Waste from properties in use (tenants and Faberge, excluding construction waste). We currently receive statistics from around 62 per cent of our tenants. The fact that we do not receive data from all our tenants is because they are able to choose other waste contractors for operational waste than the contractor recommended by Faberge. However, we continually endeavour to work with our customers and suppliers to reduce the amount of waste through being economical with resources, such as by encouraging all customers to sort their waste at source into at least five fractions.

Environmental certification of entire portfolio

Thanks to a systematic focus on environmental certification, Faberge has been able to certify all its investment properties, covering a total area of just over a million square metres. This corresponds to 81 per cent of total lettable area, which means that during the year we came a step closer to our target of certifying 100 per cent of our total lettable area. The remaining square metres are in project properties that will be certified as improvements to the buildings are completed. The process of gaining environmental certification imposes requirements on a property in terms of energy consumption and efficient installation techniques, which helps reduce running costs. Certified properties also support our customers' own sustainability efforts and are currently a requirement from many companies. Environmental certification is in addition a prerequisite for green financing, which means better lending terms. We succeeded in achieving our goal during the year, as 100 per cent of the company's financing is now green (find out more about green financing on pages 98–99). Certification also has a positive impact on the value of a property, which in turn encourages interest from investors. Overall, environmental

certification helps boost the appeal of a property and reduce costs, generating value for the entire business. BREEAM In-Use is used for existing buildings and the aim is to achieve the level 'Very Good'. All new-builds are environmentally certified according to BREEAM-SE standard, with the aim of achieving 'Excellent'. BREEAM-SE certification also helps Faberge reach its goal of increasing biodiversity in project development, as this is one of the indicators that is assessed.

Connected buildings for a sustainable city

New digital technology creates opportunities for new ways of living, and means that functions are becoming automated, innovative services are emerging and our behaviour is changing. Working with digital solutions gives us access to data in real time, enabling us to optimise energy consumption, for example. Connected buildings also create an opportunity to develop properties that are customised to actual usage, and that put people first. Digital solutions and apps allow us to visualise the indoor climate and develop premises with health and wellbeing in mind. They also make it easier for us to understand how our properties are used and receive prompt information about faults, improve security in the buildings and thus manage them more proactively. Over the past few years we have linked all our properties up to a digital fibre network. This means we are able to integrate the properties with the smart city, and contribute to a more sustainable and efficient use of resources.

Health in our buildings

The pandemic has brought issues relating to both physical and mental health to our attention even more. We have been aware for some time that a healthy and sustainable work environment is not just about the physical environment, including lighting, noise levels, ventilation and furnishings. Psychosocial factors are just as important. Once these requirements have been satisfied it improves conditions for employees to feel good and perform at their best. Our contribution is mostly about making it easy for our customers to make the right choices. For example, by positioning attractive stairwells next to the lifts, we are encouraging people to take the stairs. We also offer our customers tips on how to encourage their employees to keep active around the office through anything from using height adjustable desks, to positioning coffee machines in such a way as to boost activity levels. Another example is our work with customers to develop health-certified workplaces, a strategic initiative that aims to prepare properties for customer requirements for health certification. Fitwel is a certification standard that differs from others in that its primary focus is people's health and wellbeing in the building. During the year, SEB's office in Arenastaden was awarded a 3-star rating according to the Fitwel certification. This makes SEB's office, which was developed in close partnership with Faberge, the first in Europe to achieve the highest possible rating according to this certification. Just five per cent of all applicants achieve this.

Governance

Our sustainability work is an integral part of operations. Our CEO has ultimate responsibility for work on sustainable urban development, focusing mainly on commercial property. We have a corporate function with responsibility for

sustainability under the leadership of a sustainability manager. The Board's rules of procedure include regular monitoring of sustainability issues. Reports are submitted to the Audit Committee and Board of Directors. Proposals for sustainability targets are prepared in close cooperation with the business areas and then approved by the Executive Management Team.

Sustainability work is pursued by the Sustainability Manager and a cross-functional sustainability team. These functions harmonise work within the company and look at areas such as environmental impact, social responsibility, sustainable property and urban development, sustainable supply chain and compliance matters. Responsibility for implementation rests with the line organisation. Energy work is managed by Fabege's energy strategist, who reports to the Sustainability Manager. Fabege's energy strategy and environmental policy form the basis of this work. The energy strategist supports the operations managers, who together with the operating organisation have chief responsibility for energy issues in all buildings under management, while the projects managers are responsible for energy issues relating to new construction.

Our energy efficiency targets

Fabege's new energy efficiency targets are divided into

phases. In 2019, we exceeded the target in the Swedish energy policy agreement of 50 per cent more efficient use of energy by 2030 compared with 2005. The aim for 2023, average energy consumption of 77 kWh/sqm, remains in place. The portfolio is divided into two parts: newer properties that have received planning permission since 2012 and have a target of 50 kWh/sqm, and older properties that have a target of 85 kWh/sqm. In 2020, Fabege's average energy consumption for the period was 74 kWh/sqm. 2020 was a particular year, with a mild winter and low energy consumption due to the fact that many offices were not used because tenants decided to work from home. The energy result was also attributable to the excellent, systematic work that is continuously under way in the organisation, work that enables us to perform a little better each day than the day before.

Our water consumption target

As part of our efforts to reduce consumption of nature's resources, Fabege has established the goal of cutting water consumption on an annual basis. We will quantify this goal in 2021 in order to effectively monitor consumption. Reducing water consumption means that we are preparing our business for a future in which groundwater levels and access to fresh water may decline.

Calculation of GHG emissions

To be able to compare emissions of different gases, they are recalculated as carbon dioxide equivalents (CO₂e). Fabege uses conversion factors from our suppliers to calculate the volume of emissions. The reported emissions total from the business includes a reduction in CO₂e as a result of Guarantee of Origin (GO-labelled) electricity and GO-labelled renewable district heating and district cooling. Fabege has opted for the 'financial approach'. This is because, as owner, Fabege controls the property's energy performance and energy sources, while tenants can only influence consumption. Calculation of Fabege's carbon footprint (CO₂e) is evolving all the time, via more elements and better key performance indicators. New elements since last year's calculation include new builds, tenant customisation, properties bought and sold and indirect emissions produced by our energy suppliers. To facilitate comparison, we have placed comparable figures alongside each other and new figures in separate categories.

Emissions (tonnes CO ₂ e)	Emission source	2020	2019
Scope 1	Total	22	22
	Refrigerant leakage	22	22
	Service vehicles	0	0
Scope 2	Total	1,416	1,933
	Heating	1,399	1,920
	Cooling	18	13
	Electricity	0	0
Scope 3	Total	4,108	561
	Waste management	65	110
	Leased vehicles and staff vehicles used for work	4	6
	Air travel	11	446
	Commuter journeys	145	n/a
	Tenant customisations	2,503	n/a
	Property energy	639	n/a
Total		5,546	2,516
Carbon offset by district heating supplier		-1,254	-1,726
Net emissions after carbon offset		4,292	790



One step closer to carbon neutral property management

We have signed a declaration of intent with Stockholm Exergi to purchase district heating with zero or negligible emissions from their large-scale biocoal investment. Biocoal is a well-known technique based on knowledge from old coal pits. The collaboration means we are on board with creating an entirely new climate-positive energy supply, while moving a step closer towards being able to offer our customers carbon neutral premises. Find out more at fabege.se/en/sustainability



The route to success is through motivated employees

Together we can create a solid team by acknowledging and supporting each individual employee and their unique capabilities. We want to continue to develop and run a productive enterprise with our shared set of values and culture based on team spirit and commitment.

Strong set of core values

Our core values, known internally as SPEAK, characterise the entire business. These values are Fast, Informal, Entrepreneurial, Business-minded and Customer-focused. These core values prioritise inspiration over control, and put people first. We have worked continually with our core values for over 15 years now, and they are being constantly honed, although the fundamental principles remain the same. Together with our Code of Conduct, our core values should function as a guide for our employees' actions.

Our views on equal value

The fundamental view of Fabege is that all people are of equal value and all employees are to have the same opportunities, rights and obligations. No-one at Fabege should be discriminated against on the basis of sex, gender identity or expression, ethnicity, religion or other belief, disability, sexual orientation or age. Any reports can be submitted to an employee's immediate superior, HR or anonymously to our whistleblower service.

Sustainable employees

People who feel good perform well. Fabege takes a comprehensive approach to the sustainable employee, considering the whole individual, both from a physical and psychosocial perspective. We want to encourage people to make long-term healthy choices through training and talks on themes such as diet, rest, managing stress, relationships and physical activity. We offer our employees regular health checks, which focus on the physical and psychosocial aspects of health and the work environment as a whole. The benefits we offer are set out in our health policy, and aim to improve employees' quality of life and bring about health gains and boost commitment, job satisfaction and team spirit.

Health in day-to-day operations

We design the working environment and our premises to provide the optimum conditions for both recovery and physical activity. All our offices have changing rooms and all employees have the opportunity to take exercise with their colleagues once a week during working hours. Besides physical activity, exercising also helps bring employees together as a team. We are also proactive about reducing psychosocial risks and work-related stress. A key parameter for health and wellbeing is the balance between work and leisure, with the immediate superior and employee engaging in ongoing dialogue and ensuring that the employee's workload allows for active leisure time.

Focus on psychosocial work environment

During the year the pandemic has heightened our focus on the psychosocial work environment. We have conducted four surveys during the period in order to gain an understanding of how our employees are managing the various challenges associated with the virus outbreak. The vast majority of employees stated that they were in good spirits given the circumstances; that they have been able to work from home effectively and that they have received good support from their employer. Many expressed their appreciation of the swift responses immediately after news of the pandemic first emerged. We have been keen to provide continual, regular information about the latest developments.

Safe work environment

We want all our employees and those working for us to operate in a safe work environment, without risk of injury or becoming ill at work. Technicians are the group within the company that is most at risk of accidents, as their work involves carrying out higher-risk tasks. However office-based work also carries the risk of occupational injuries due to stress and poor posture. Continually identifying risks, following up incidents and implementing measures enables us to improve health and safety for our employees.

The basis for a safe workplace is provided by the work environment manual, which includes for example risk assessments consisting of safety inspections performed, deviation reports and employee reviews. These assessments are evaluated and prioritised, and action plans established to manage any risks identified. Fabege's employees are at all times able to contact their line manager or HR to highlight hazardous tasks.

There are clear procedures and training courses for employees, relating to safety when carrying out high-risk tasks, such as work at height and other tasks carrying a risk of falling. The recommended safety equipment must be used

In 2020, European Women on Boards (EWOB) conducted its second gender equality study among 600 listed companies. Fabege stood out among the companies that are ranked in the top 20 in Europe as regards gender-equal corporate governance.



Sustainable and motivated employees create a positive corporate culture



when carrying out such tasks. Contracted employees are subject to the same conditions as Fabege's technicians.

Faberge has an incident management system that allows all employees to report actual and potential incidents. The incidents that are reported are reviewed by the manager responsible for the work environment, and then followed up by the occupational health and safety committee. In the event of an incident, an analysis is always performed to investigate the cause and determine how it may be avoided in the future. Extensive evaluation work is continually under way to improve our health and safety efforts. Evaluations are conducted to identify and manage risks and weaknesses in the reporting system. Work environment injuries are reported to the Swedish Work Environment Authority.

An attractive employer

We want to be the natural choice for talented, motivated and committed individuals working in the property industry. We therefore work continually to reinforce our brand as an employer, and we aim to be one of Sweden's most popular workplaces. Through cooperation with the company Great Place to Work, we develop and evaluate Faberge's workplace culture. In 2020, we carried out Great Place to Work's employee survey for the third time to find out how we are perceived as an employer. During the year we managed to improve on last year's result, which we regard as extremely positive during these unsettling times. An impressive 93 per cent of all employees feel that all in all, Faberge is a very good workplace, and 93 per cent state they are proud to say who they work for. Confidence in managers within the organisation has also improved during the year. Faberge gained 'Great Place to Work' certification in 2020.

Individual career development

Individual career plans form the basis of each employee's professional development. At performance reviews, managers and employees establish targets and follow up on previ-

ous plans. The starting points for the targets that are established are the goals for the particular operation and the employee's role in achieving them. Performance reviews were carried out with around 99 per cent of employees in 2020.

Gender equality

With 38 per cent female representation on management teams, the property industry is one of the top sectors in terms of having an even gender balance, according to Allbright's 2020 report. However, the report also reveals that the pandemic has curbed the progress of listed companies on gender equality. This applies to the property sector as well, which shows that property companies have a fair way to go in their efforts to maintain an equal gender balance. The construction industry, which is a traditionally male-dominated sector, has even further to go. Construction firms have also at times been accused of harbouring a macho culture in many respects. Faberge has therefore been working systematically for many years on encouraging female project managers, and our efforts have proved effective. We are witnessing a clear, positive shift in the industry, which is having a knock-on effect on the working atmosphere. Our challenge now is to be proactive about maintaining this positive trend. We have also begun work on adopting a similarly systematic approach within the operational organisation to attract more women.

At year-end, Faberge's Board of Directors had an even gender balance. Two of the six members of the Executive Management Team were women, or 33 per cent. On 1 January 2021, the Executive Management Team was expanded to now comprise five women and four men. The total proportion of women working at the company was 36 per cent. An increasing number of men at Faberge are taking extended parental leave, and we see this as a positive from a gender equality perspective.

We share our success

Fabege is a large listed company that develops urban districts worth billions of Swedish kronor. Despite this we have relatively few employees in relation to our market capitalisation and market value. This means that every employee is highly significant for our business. One way of showing our appreciation for the contribution of each individual to our shared success is via our profit-sharing fund. Everyone who works for Fabege is included in the fund. And naturally we believe the sum set aside should be the same for everyone, whether the employee is customer-facing, office-based or is a member of the Executive Management Team. Allocations are made in the form of Fabege shares based on our profitability and return on equity. The shares are tied up for a period of five years after allocation, which amounts to a maximum of two price base amounts per employee and year. The Board decided that the allocation for 2020 would amount to 1.8 price base amounts per full-time employee, which corresponds to a value of SEK 85,680.

Low-carbon, efficient travel

We constantly strive to ensure company travel has less of an impact on the environment, and to make it easier for our employees to opt for sustainable alternatives. Our guidelines for business trips give all employees access to instructions on choosing mode of transport and planning journeys. Our company car policy completely excludes vehicles that run on fossil fuel, and we encourage the use of electric and hybrid cars. Fabege also provides SL travelcards for employees, which can be borrowed for business trips.

Continual improvements to work environment

We provide a safe and healthy work environment for our employees. An occupational health and safety committee, including employees from all departments and local offices, and occupational health and safety representatives are jointly responsible for continuously developing the work environment. The group is made up of 11 individuals who come up with ideas for measures to improve and develop the work environment.

Governance and contracts

The HR manager reports to the Executive Management Team and is responsible for strategic HR work and for ensuring compliance with laws and regulations in the area of labour law and collective bargaining agreements. The starting point is Fabege's various policy documents within the area of HR, such as the personnel, gender equality and salary policies, as well as the company's Code of Conduct. Policies and guidelines are determined by the Executive Management Team, continually updated and made available to all employees via our intranet. Follow-up is carried out quarterly and annually based on established targets. All employees are covered by collective bargaining agreements. Policies and guidelines for communication, personnel and business support are decided on by the Executive Management Team, continually updated and made available to all employees via Fabege's intranet.



Equality¹⁾

	2020					2019				
	Women	Men	<30 years	30–50 years	>50 years	Women	Men	<30 years	30–50 years	>50 years
Board of Directors, number	3	3	0	0	6	3	3	0	0	6
Group Management, number	2	4	0	0	6	2	4	0	1	5
Main management team (excluding Executive Management Team)	9	14	0	16	7	10	14	0	17	7
All employees	71	120	18	103	67	66	122	18	103	67

¹⁾ Summary of the company by gender and age for various levels within the company. Fabège does not record employees' ethnicity.

Number of employees by form of employment, gender and in our business areas

By age, %	0–19	20–29	30–39	40–49	50–59	60–69	Average age
Women	0	8.5	25.4	33.8	29.6	2.8	43 years
Men	0	10.8	20.0	29.2	29.2	10.8	45 years
Total	0	9.9	22.0	30.9	29.3	7.9	44 years

Percentage of women within each area, %

Property Management incl. operations	20
Projects & Business Development	52
Business support	71

Percentage of entire company employees within each area, %

Property Management incl. operations	57
Projects & Business Development	25
Business support	18

191³⁾ number of employees at year-end, of which

- 71 women and 120 men
- 186 permanent employees and 5 fixed-term contract employees
- 189 full-time employees and 2 part-time employees
- The proportion of employees with collective agreements was 100 per cent

³⁾ All employee statistics are taken from Fabège's salary or personnel system.

EPRA Sustainability Best Practice Performance Measures

Social & Corporate Governance impacts	EPRA Code	Measurement Unit	Indicator		2020	2019	% change
HEALTH AND SAFETY	H&S-Emp	Days per employee	Absentee rate	Direct employees	2.4	2.8	-14.3%
DIVERSITY	Diversity-Emp	% of female employees	Diversity Employees	Board of Directors members	50%	50%	0.0%
				Executive Management	33%	33%	0.0%
				Managers	39%	45%	0.0%
				All employees	36%	33%	9.1%
EMPLOYEES	Emp-Turnover	Total number and rate	New hires	Total number new employees	15	20	-25.0%
				Proportion new employees	8%	11%	-27.3%
			Departures – Turnover	Total number of departed employees	13	13	0.0%
				Proportion of departed employees	7%	7%	0.0%
			Total employees number		191	188	1.6%
CORPORATE GOVERNANCE	Gov-Board	Total number	Composition of the highest governance body		8	8	0.0%
			Executive		29	30	-3.3%
			Non executive		162	158	2.5%

Employees

Accident rate is defined as the number of workplace accidents resulting in absence of one or more contracted working days per 200,000 hours worked, divided by hours worked. Number of hours worked for our own employees in 2020 was 342,999. The most common injuries experienced by our technicians are cuts and crushing injuries. However, these injuries are rare in day-to-day work.

Employees	2020
Number of deaths	0
Number of occupational accidents, with and without absence	3
of which, travel accidents (to and from work) ¹⁾	1
of which accidents with absence	1
of which, serious accidents ²⁾	0
Number of cases of occupational diseases	0
Accident rate (LTAR) ³⁾	1.7

¹⁾ The travel accident did not result in sick leave or lasting injury.

²⁾ Relates to accidents with absence from work for a period of more than six months.

³⁾ Relates to accidents for own personnel with absence, excluding travel accidents.

Sickness absence

Total sickness absence in relation to ordinary working hours, %	Women	Men	Total sickness absence
Age 0–29	3.7	2.5	2.86
Age 30–49	2.81	2.01	2.33
Age 50+	0.61	2.4	2.4
Total			2.41



Supplier chain sustainability screening

We regard our suppliers as our cooperation partners. They often work closely with our customers and help us achieve our sustainability goals. So it goes without saying that all areas of the business should be responsible for ensuring a sustainable supplier chain. This will enable us to create conditions for long-term profitability, reduce our risks and bolster our brand and reputation.

We endeavour to operate according to the principles of responsible business conduct, and to reduce our carbon footprint at all levels. We therefore work in a number of priority areas within the remit of our supplier chain:

- Limiting emissions related to materials, transportation, construction energy and waste, or Scope 3, is a major issue for the property sector. These emissions are mainly generated by Fabege's suppliers or their subcontractors, and there is still a great deal to do in order to reduce our carbon footprint.
- Tackling criminality and poor working conditions in the construction sector is of great importance for the entire property industry. According to a report from the Swedish Association of Construction Managers (Byggcheferna), the project-based structure, long contractor chains and in particular the large sums of money involved are all factors that expose the sector to corruption and bribery.
- Issues around the use of jargon and the macho culture are hampering the industry's success, and it is up to everyone involved to work to ensure a safer and more equal construction industry. There are major hurdles as regards gender equality.

In all three areas, Fabege has a considerable responsibility as a developer and buyer.

Safe workplaces

A safe and secure workplace free from corruption and inequality, and where risks are minimised and prevented is a human right and an significant challenge for the entire construction industry. Staff ledgers allow us access to statistics regarding employment terms for everyone working on major projects.

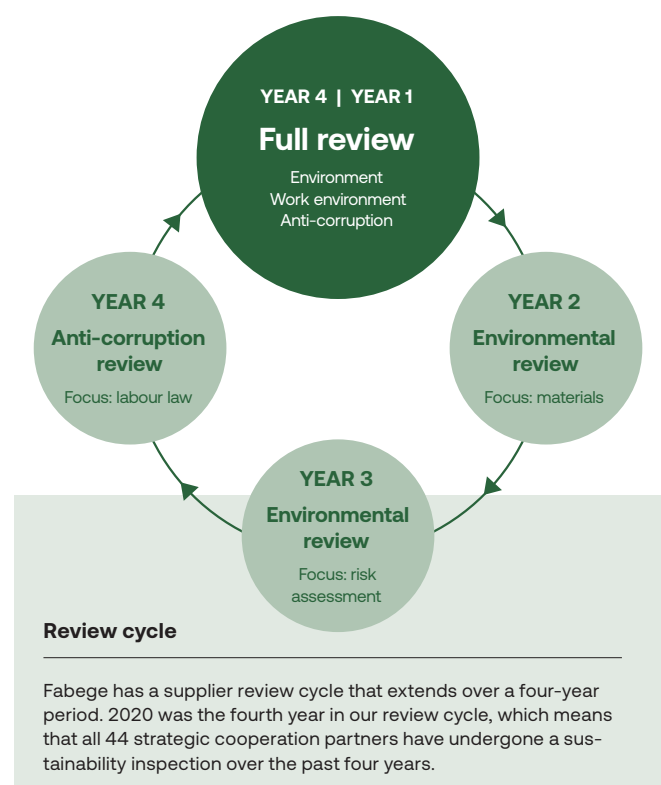
At every stage of the building process, risk analyses and inventories are carried out with primary responsibility resting with the contractor, who then follows up to ensure the workplace is safe. There are construction health and safety coordinators at the workplaces, BasP and BasU, who are responsible for safety throughout the entire project.

Although the work environment and employer liability at the building sites are the responsibility of the contractors, these issues are also covered in our contracts. We enjoy

effective cooperation with our contractors, with Fabege playing an active role in preventing near-accidents and checking that all safety procedures are adhered to, and that workplace risks are minimised. This is achieved via systematic health and safety work, involving digital and physical safety inspections during which faults and failings must be rectified and documented in our database. For example, photographs must be uploaded as evidence that any measures have been completed.

To ensure everyone on a building site understands and is aware of risks, imagers are put up of hazardous tasks, along with information in different languages.

The contractor's safety officer makes sure the project is implemented safely, but also represents construction workers in ensuring all risks are highlighted and good working conditions. Fabege always follows up any deviations with



both contractors and those affected. We encourage our suppliers and their employees to report identified risks and also draw attention to our whistleblower function, which can be used by all external parties.

In the event of an incident or near-accident at building sites, an analysis is always carried out to examine the cause and how to avoid a recurrence of the incident. This analysis is sent to the Swedish Work Environment Authority for follow-up and documentation.

Regular inspections

Fabege has a large number of suppliers of varying sizes, everything from small suppliers for day-to-day operations such as caretakers, maintenance providers and security firms, to building contractors for entire office blocks. For ongoing operations we have categorised all our suppliers and chosen to prioritise strategically important business partners for sustainability screening. They must impose equivalent requirements on their subcontractors. Fabege also carries out background checks on all suppliers before contracts are signed, so that they can also demonstrate that they have previously worked actively and in an organised way with health and safety issues. In cases where suppliers Fabege has worked with in the past are displaying significant failings in their health and safety work, the cooperation is ended unless action is taken.

Our strategic partners include just over 40 major suppliers, who account for roughly 75 per cent of Fabege's annual purchasing volume under framework agreements.

Sustainability screening

Sustainability screening is carried out annually for selected existing suppliers, with the aim of screening all strategic cooperation partners within a four-year period. The screening is partly carried out to check that our suppliers satisfy requirements imposed in contracts, but also to inspire suppliers to continue working with sustainability issues. For suppliers that are not approved, Fabege offers support in implementing a plan of action using independent specialists. Every year the screening process focuses on a particular area: environment, health and safety or anti-corruption. Every four years a comprehensive evaluation is carried out covering all areas.

Quality assessments

In order to ensure delivery quality, Fabege also conducts regular assessments within supplier areas that are deemed to be particularly significant to our customers' experience of day-to-day services. These include cleaning, lift maintenance and snow clearance, for example. The assessments are carried out via an internal survey that is sent out three times a year to managers within our various market areas. Representatives of each area must then rate how well they feel each supplier meets expectations. Any rating below seven on the scale of one to ten triggers immediate action. This allows us to quickly respond to any contractual breaches and continually improve quality.

Financial inspection

In order to quickly identify any financial deviations, misunderstandings or incorrect invoicing, Fabege also conducts a financial inspection of our suppliers. All framework agreement suppliers are under the supervision of a credit rating company commissioned by the company. We also receive regular information about changes management or the board of directors, for example. Fabege also carries out spot checks twice a year to compare invoices with agreed prices.

Review

Fabege enjoys a positive dialogue with its suppliers and supports their efforts to improve their procedures. Any deficiencies revealed will lead to the companies producing a joint action plan. If there is no improvement, we may decide to discontinue the relationship. The reviews are carried out both internally and externally. Sustainability screenings are carried out by an independent third party.

Subcontractors

Fabege hires many suppliers who in turn have several subcontractors. Environmental impact can arise primarily in the second line of suppliers, which is one of the reasons why Fabege has stringent requirements from first-line suppliers to check that their subcontractors comply with Fabege's requirements. Our expectations in terms of compliance are set out in contracts that cover all framework agreement suppliers. In recent years we have tightened our Code of Conduct for Suppliers regarding requirements relating to

the environment, business ethics, health and safety, working conditions, integrity, human rights, and compliance and follow-up.

100 per cent target

The aim is for all of Fabege's strategic business partners to be regularly screened with regard to sustainability. Partners that were screened more than four years ago undergo a new inspection.

Selected contractors of significant projects (SEK >50m) undergo sustainability screening before the project's production phase begins.

Activities in 2020

• Restrictions on emissions from suppliers

During the year, Fabege made significant progress in efforts to reduce indirect emissions generated by our suppliers or subcontractors. We did this by coming up with an emissions target according to SBTi's guidelines. By 2030, Fabege intends to reduce its carbon footprint by 50% in Scope 3. Property management (Scopes 1 & 2) will also be completely carbon neutral by 2030. During the year we also developed requirements and guidelines for calculating carbon dioxide emissions from all our new building projects.

• Clarification of responsibility

During the year we held a Supplier Day, in order to emphasise our expectations of our suppliers in relation to responsible business conduct. We used the day to talk about Fabege's sustainability work and share our message with a wider audience. We also highlighted our need for all our suppliers to carry out the equivalent sustainability inspections of their subcontractors. Just over a hundred people participated in the day, and it was well received.

• Multi-sector cooperation for a sustainable construction industry

The property sector is in agreement that a sustainable construction industry is not just a competition issue but also something that benefits all stakeholders. During the year, Fabege has worked with the Swedish Real Estate Owners' Association (Fastighetsägarnas förbund) and colleagues in the industry to come up with a digital screening tool to use in the construction industry. This was partly to avoid duplication of work in connection with suppliers having to repeatedly answer the same questions, and partly to enable screening of several suppliers and thus set a new industry standard.

• Comprehensive supplier reviews

In 2020 Fabege carried out comprehensive reviews of selected suppliers. The questions covered all three areas according to our review cycle: environment, health and safety and anti-corruption. A total of 19 reviews were completed during the year. In 2021, Fabege plans to carry out a review focused on environmental issues.

• Safety in our areas

As part of our efforts to improve security for both suppliers and customers, we set up our own emergency management centre during the year. The emergency centre in Arenastaden is manned around-the-clock and can swiftly respond to reports relating to operational disturbances, break-ins or fire throughout our entire property portfolio. We have also introduced CCTV at parking areas, buildings and locations that are particularly exposed.

Governance

The purchasing manager, who reports to the Executive Management Team, is responsible for the company's purchasing policy, signing agreements with all strategic partners and sustainability screening of suppliers. The purchasing organisation is responsible for signing all framework and service contracts and ensuring that new contracts adhere to Fabege's general terms and conditions, environmental policy and Code of Conduct. We have compiled general requirements in our framework agreements under General Terms and Conditions. For new construction and redevelopment projects we have general requirements in administrative regulations, which are supplemented by environmental programmes and specific terms for each project. General terms and conditions, or administrative terms, together with the environmental policy and Code of Conduct are included in the appendices of all contracts signed with suppliers. Through these terms, our suppliers undertake to comply with Fabege's requirements, including with regard to working conditions and human rights. In contracts, suppliers also guarantee that these requirements will be imposed on their subcontractors. All the relevant legislation and safety procedures must be complied with at all construction sites. Regular audits of construction sites are continuously conducted during the course of a project. Although the work environment and employer liability at the building sites are the responsibility of the contractors, we take an active role in preventing incidents.

Suppliers	2020
Accident rate, contractor (ELTAR) ¹	1.97

¹ELTAR, the accident rate for our contractors, was measured for the first time in 2020. Reporting relating to contractor accidents is not comprehensive, as not all projects report contractors' accidents in the IA system yet.

Accident rate is defined as the number of workplace accidents resulting in absence of one or more contracted working days per 200,000 hours worked, divided by hours worked. The most common accidents on construction sites are cuts, falls from low heights and trips. When more serious accidents occur, they are often falls or trips.

“We endeavour to operate according to the principles of responsible business conduct, and to reduce our carbon footprint at all levels.”

**Safe construction sites**

All the relevant legislation and safety procedures must be complied with at all construction sites. Although the work environment and employer liability at building sites are the responsibility of the contractors, Fabege takes an active role in preventing incidents. Tax legislation for staff ledgers allows us access to statistics regarding employment terms for everyone working on major projects.



Green financing – the journey towards a sustainable future

Green financing is an area that has considerable impact and is continuing to gain ground. It has long been a natural part of our sustainability work here at Fabege. It ensures more responsible financing for us. More importantly, it also gives us more trusting relationships with our financiers and creates considerable commitment among our employees.

Green financing contributes to long-term profitability in a number of ways. One of the most important ways is that it creates a shared goal for us and our financiers. We focus on the same issues and impose requirements on each other, which means that together we can contribute to sustainable development. Meanwhile we are creating conditions for long-term value growth in our investments.

Phenomenal growth

Over the past few years we have seen huge growth in the area of green financing. Interest from the finance world has soared, and sustainability issues have shifted from being something that mainly companies were engaged in, to a matter of fundamental significance for many financiers. It is now the finance world that is taking the initiative and imposing requirements on companies. Much has happened in a short space of time, and Fabege is keen to be on board, pushing for positive change. We enjoy a close dialogue with banks and investors, and we try in various ways to accelerate progress within green loan products.

The fact that developments in green financing are moving fast is also tied up with the EU's ambitious goals for sustainable investments. 2021 sees the EU's new taxonomy classification tool entering into force, which will make it easier to

identify and compare environmentally sustainable investments. The ultimate impact of the new taxonomy system has yet to be clarified. For Fabege it will involve careful monitoring in order to be well prepared for reporting requirements.

100 per cent green financing!

Fabège is proud of the fact that we have managed to achieve our goal of 100 per cent of the company's financing being green by 2020. All our loan agreements are now green, and as a result we have increased our proportion of green financing from 84 per cent at the start of the year to 100 per cent in December. This positive trend is linked with the fact that in 2019 we were already able to environmentally certify all the investment properties in our portfolio. Our achievement of yet another significant goal is confirmation of the results of our long-term sustainability work. We continually strive to operate responsibly on all levels, and this approach is particularly relevant to our financing. Green financing gives us more favourable terms both on the capital market and for green bank loans. But even more importantly, we acquire a broader investor base and more trusting relationships with our financiers.

Value every step of the way

Green financing not only ensures we are heading in the same direction as our financiers; it also forms the basis of a shared goal within the company. At Fabège, our work with environmental and sustainability issues is reflected in all aspects of operations. It creates a cohesive approach within the organisation and boosts commitment among our employees. We can see that our employees are proud of what we can achieve together.

In the longer term, work with environmental and sustainability issues also raises the value of our properties. Partly as maintaining the high certification level of each property keeps us constantly on our toes in relation to all of the company's work with sustainability. And in turn it benefits us, our lenders and other external stakeholders. Furthermore, long-term sustainability work also has a positive impact on locations, the city and in particular the management of global climate challenges.

During the year we have sought help from the Norwegian research institution CICERO in carrying out an initial assessment of how well our properties are going to satisfy the requirements imposed by the EU taxonomy classification



Green financing

Green financing is to be used exclusively for investments to promote the transition to low-carbon, climate resistant and otherwise sustainable properties. This means that they must be approved based on a list of categories and criteria in areas such as energy consumption and general environmental performance. The investments must also conform to the UN's 2030 Agenda and 17 Sustainable Development Goals. The SDGs aim to achieve long-term sustainable economic, social and environmental development to eradicate extreme poverty, reduce inequality and injustice in the world and tackle climate change.



system. We can also see how tougher political requirements on the financial and business sectors mean that new opportunities are rapidly opening up. The trend within sustainability is growing ever stronger as financing flows begin to be directed more towards low-carbon and sustainable investments.

Green framework

Fabege's framework for green financing sets a standard that can be used for all our sources of financing. The green MTN programme (Medium Term Notes), which Fabege established in 2016, is linked to the programme. This includes special terms regarding sustainability and the environment. The framework also includes Fabege's green commercial paper programme, which we use to issue green commercial paper that is to be used to finance assets approved according to the framework. The backup facility for the commercial paper programme is also linked to the framework, and is therefore green. Fabege has an allocation

policy, which means that investors with sustainable strategies are prioritised in bond issues.

To ensure that the green framework meets the exacting sustainability requirements, the independent research institutions CICERO has examined the green framework. CICERO has issued a second opinion with ratings of 'medium green' for the green terms and conditions and 'excellent' for governance.

Governance

Fabege has a green business council that compiles data on ongoing and planned environmental certifications, and examines whether projects and assets satisfy the green requirements. A special report on how the company allocates its green funds and how well it fulfils the terms imposed by the framework is prepared each quarter and published at <https://www.fabege.se/en/about-fabege/financial-information/financing/green-financing/>.



The customer as our closest partner

With our own staff working in both day-to-day operations and property management, we work closely with our tenants. We know our customers well, which helps us understand their businesses and their needs. Whether our tenants' challenges are big or small, we try to be flexible in our approach in order to find solutions that benefit both parties. This enables us to establish mutual loyalty, develop sustainable concepts and grow alongside our customers.

Close relationships with own staff

The relationship with our customers is our most important capital. We provide continuity to create shared value alongside our tenants. One of the keys to creating value is a close dialogue with the customer, which is facilitated by having our own staff in all areas of the business, both property management and in running the properties. Our property management is divided up into geographical areas for organisational purposes, and each area has considerable responsibility and is able to make swift decisions. We have local offices in all our areas, we have a presence in our tenants' day-to-day lives and at most are just a phone call away. Our proximity to our tenants also means we can respond to specific preferences. We handle all issues arising with a constructive approach, whether it is a customer who has outgrown their premises, looking for more flexible office set-up or who needs an immediate response due to an unexpected incident. Our customers can always contact us to report faults or to get help addressing any safety risks or health hazards at the property.

Flexible solutions with the customer front and centre

Fabege is currently landlord to more than 660 companies, authorities and organisations, and more than 100,000 people spend time on our premises every day. Our wide-ranging experience means we can create flexibility for our tenants. What sets us apart is that we try and come up with a business arrangement that benefits every customer. It could involve adapting the term of the lease, but could also be about making it easier for our customers' employees to achieve a good work-life balance. One good example is our office hubs, or WAW offices (Work Away from Work), which are located in Arenastaden, City and Hammarby Sjöstad. The WAW concept means we are able to offer office workplaces that allow our customers' employees to check in as needed and work in a professional office environment. Our focus on entire districts means we can also boost our customers' competitiveness through our holistic approach. We have a good knowledge of our areas and properties, and we continually aim to offer safe work environments that are sustainable in the long term.

Surveys and dialogue promote stronger relationships

The pandemic has affected all businesses in several different ways. Our close customer relationships have in many ways proved an advantage in a challenging situation. During the year we focused on maintaining a constructive dialogue

with our customers, albeit mostly remotely. We also hope to be able to carry out the Customer Satisfaction Index (CSI) survey in 2021 that we normally do every three years. The CSI survey is one of a number of key tools we use to make continual improvements, develop sustainable concepts, create more points of contact and strengthen relationships with our customers. We also use customer dialogues, an in-depth customer meeting, every year or every other year. Our objective is always to conduct no less than 200 customer dialogues per year, but this year it has been difficult to meet that target. These dialogues enhance our understanding of tenants' needs compared with what we can glean from quantitative surveys. The daily insights we gather from proximity to the customer also play a crucial role. Having our own staff at all levels of the organisation means we can work with continuity to deepen our customer relationships, irrespective of whether the matter ends up being handled by the property manager, operations manager or one of our employees at the local office.

Shared agenda for long-term sustainability

We want to be a collaborative partner for our customers in everything we do. This also applies to our work with our tenants to reduce the building's environmental impact via green leases. A green lease means that both parties agree on a joint environmental agenda for the premises through the efficient use of resources and sustainable property management. Signing green leases is a natural choice for us, and it goes hand in hand with growing customer demand. All our renegotiated leases and new leases are therefore green, and we actively work to raise the percentage of green leases. In 2020, green leases accounted for 96 per cent of total space under newly signed leases. Green leases are also an important basis for environmental certification of the property.

Governance and responsibility

Overall responsibility for customer satisfaction and measurements is shared by the two most senior managers of the property management department, both of whom are members of the Executive Management Team. The property managers are responsible for customer relationships at company and organisational level. They feed back the results from the surveys to the customers and are responsible for improvements being made at customer level based on service, cases and the CSI survey.



A responsible partner on every level

Through responsible work in all aspects of the business, we can contribute to sustainable societal development. We also consider this to be a prerequisite for achieving long-term profitability. Good business ethics that promote fair competition and avoid all forms of corruption are the foundation of our relationships with customers, suppliers, lenders and partners.

Code of Conduct under constant review

We believe it is important for us and our business to symbolise security, reliability and strong values for everyone who comes into contact with us. Fabege's core values (SPEAK) and our Code of Conduct form the basis for the actions of all employees. The Code of Conduct highlights Fabege's position on matters concerning human rights, working conditions, the environment, business ethics and communication. During the year all employees completed training in the Code of Conduct and Swedish Code of Corporate Governance, which is the business sector's code to tackle corruption. Fabege complies with the relevant laws and other regulations, generally acceptable business practice and international human rights, labour and environmental standards in accordance with the Global Compact and the ILO's fundamental conventions on human rights at the workplace. We continually develop our Code of Conduct to ensure that it remains relevant and responds to current dilemmas and challenges.

Fabège's Ethics Council

Fabège's Ethics Council, which reports to the Executive Management Team, serves as support in day-to-day work. The role of the Council is to direct the work, monitor relevant external issues and pursue specific ethical matters. The Council is made up of representatives from different departments.

Whistleblower service for added security

We are keen for both our employees and external stakeholders to feel safe in the knowledge that we intercept potential irregularities in the organisation at an early stage, preferably through dialogue but also via anonymous reporting systems. Our whistleblower service is available both internally and externally, and enables people to report any potential incidents. The report itself and any subsequent dialogue are anonymised if the person so wishes. All reports are immediately followed up by a working group consisting of Fabège's Head of HR and Corporate Lawyer. The group makes sure appropriate action is taken. No incidents were reported in 2020.

Transparency around tax payments

We want to take responsibility for sustainable societal development, and this includes contributing to society by paying taxes. Fabège conducts all its business in Sweden and all staff are employed by Swedish companies. We produce transparent and open accounts of the Group's total tax burden. We pursue operations in a professional manner

in order to generate a return for our owners, which means that we aim to achieve cost effective tax management. We comply with all tax legislation and regulations. For areas where the regulations are unclear, we act transparently and exercise caution. We abstain entirely from aggressive and advanced tax avoidance. Fabège's tax policy is published on the company's website in full.

Value-adding cooperation

Fabège helps support positive development in society via a number of partnerships that benefit both employees and customers in various ways. Partners include schools in the local community, but also organisations such as Generation Pep, with which Fabège works to build activity parks, Childhood Foundation, which promotes children's right to their childhood, the Arne Ljungqvist Anti-Doping Foundation, which promotes good health and pure sport, and the sports associations AIK and Djurgården, with a primary focus on young people.

Governance

All managers with personnel responsibility are charged with ensuring that the Code of Conduct is known and complied with in their respective department or sphere of responsibility. The Board of Directors and Executive Management Team are specifically responsible for promoting the implementation of the Code of Conduct. The content is revised and monitored annually.

Involvement in organisations

Fabège has board or committee assignments in the following organisations:

- BELOK, Beställargruppen Lokaler – the Swedish Energy Agency's network for energy-efficient buildings
- BREEAM and Citylab Council, Sweden Green Building Council
- Byggherrarna Sverige AB (The Swedish Construction Clients)
- Swedish Property Federation in Stockholm and in local associations in City-Kungsholmen, Hagastaden and Norrmalm
- Arena Huddinge – a forum for sharing knowledge and dialogue between Huddinge Municipality and the business community
- Samverkan i Huddinge – a forum for local security measures
- Accessy – the industry's initiative to create a standard for digital key management

Task Force on Climate-related Financial Disclosures (TCFD)

During the year Fabege continued with efforts to identify and evaluate climate-related risks and opportunities via an advanced risk analysis. This has enabled us to assess their impact on the company's strategy. Fabege will continue to work on identifying and evaluating climate-related risks. Find out more about our scenario analysis on our website at www.fabega.se/en/sustainability/climate-issues/scenario-analysis/.

The work was based on TCFD's recommendations regarding climate-related risks and opportunities. Fabege has analysed the business to ensure that the company is well-equipped to cope with the climate-related challenges that are already evident, but also those risks that are likely to affect the business in the future. Managing climate change and the ongoing transition in line with the Paris Agreement also generates major opportunities for companies like Fabege that are highly ambitious in terms of their sustainability work – opportunities that we are constantly working to develop.

Climate-related risks and opportunities

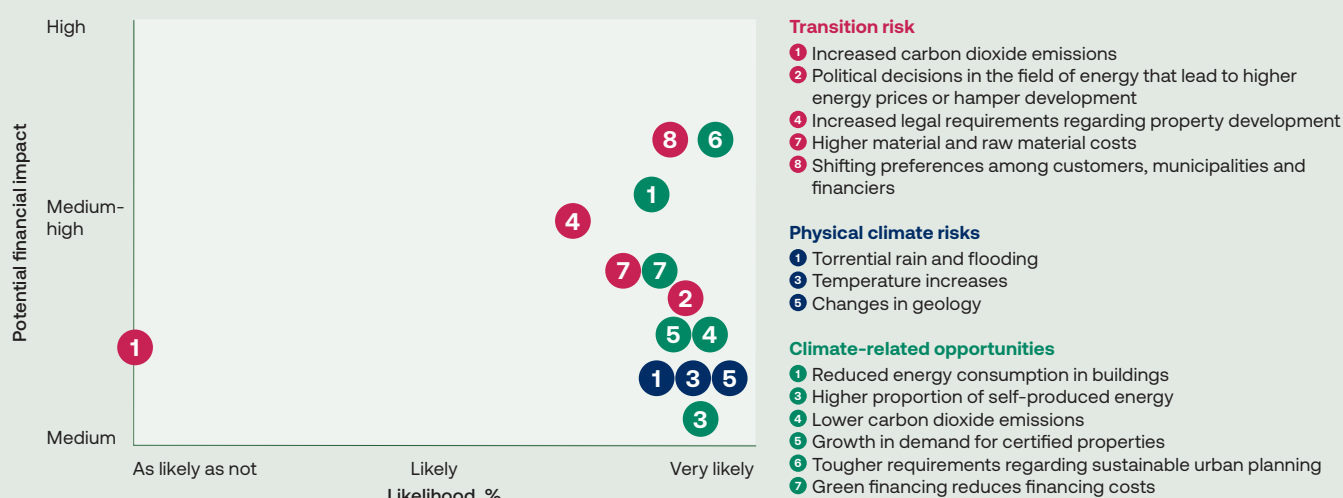
For a long time now, Fabege has been working to reduce its carbon footprint and to future-proof properties and districts in response to changes in the climate, including rain, snow, wind and temperature variations. We are identifying and managing climate-related risks and opportunities and their impact on operations, properties and districts. We have based the analysis on the risks and opportunities we have

identified as being most significant for our future business. The results demonstrate that many of the risks we have identified are likely to be significant in the future, but that their financial impact will probably vary.

Transition risk

In the medium and long term, Fabege can see a strong likelihood of tougher legal requirements having a knock-on effect on companies in the form of more stringent requirements. Areas that may be subject to such requirements include measuring and reducing energy consumption and carbon dioxide emissions, both from the business and in the production phase for new properties. There is currently no price for carbon dioxide, but Fabege expects that this is something that will be introduced in the near future. A higher carbon dioxide price would, for example, mean increased material costs, partly in the production of materials such as concrete, crushed stone and steel, but also when it comes to more sustainable materials such as timber products. In the latter case, the anticipated cost increase is linked to the

Governance	Strategy	Risk management	Indicators and targets
a) Board of Directors' overview of climate-related risks and opportunities Pages 83–84, 89	a) Description of climate-related risks and opportunities that Fabege has identified Pages 54, 126–127	a) Description of the process of identifying and assessing climate-related risks Pages 48, 126–127	a) Indicators to measure and control climate-related risks and opportunities Pages 104–105, 108–112, 122–123
b) Role of management in assessing and managing climate-related risks and opportunities Pages 89, 112	b) Description of how the business, strategy and financial planning have been impacted Pages 54, 106–112, 122–124	b) Description of processes to manage climate-related risks Pages 48, 54, 89–90, 126–127	b) Reporting of Scopes 1, 2 and 3 according to Greenhouse Gas Protocol Page 112
	c) Description of the organisation's strategic resilience and impact of various climate-related risks and opportunities Pages 54, 126–127	c) Description of how the processes are integrated into the organisation's overall risk management Pages 48, 89–90	c) Description of targets used to manage climate-related risks and opportunities and the outcome of these targets Pages 104–105, 108–112



fact that demand for these materials is likely to increase.

A clear risk we are currently seeing is that political measures are stopping property owners from launching large-scale production of self-produced energy. We can see a challenge in that continued political management and decisions in the field of energy may lead to higher energy prices. In some cases it could mean that the trend towards more sustainable energy consumption will slow down.

Fabege works constantly to satisfy requirements and expectations from customers and other stakeholders. Over the course of several years, demand for sustainable and certified buildings has increased. Environmental certification of our properties is an area we have been focusing on for a long time, and it's an area where we are endeavouring to raise our level of ambition. Municipalities that allocate land to us, and financiers that influence our economic circumstances are crucial for our business. Requirements and expectations in the area of sustainability are also increasing in these groups. The ongoing development of the EU's taxonomy system for sustainable activities is one of several examples of guidelines that subject our sustainability work to enhanced requirements. The system means that we need to raise the bar to meet our financiers' expectations and gain access to green financing.

Physical climate risks

Changed weather patterns are already affecting Fabege's properties and districts. There are a number of challenges that arise as a result of a warmer climate and higher temperatures. In the future, the direct effects of rising temperatures are likely to be that the cost of cooling properties will be higher, although heating costs may decrease somewhat.

In the longer term there is a risk of groundwater levels falling, which may lead to more water shortages and temporary restrictions on drinking water in several locations across Sweden. Higher annual precipitation and more days of heavy rain or snowfall also means large quantities of water collect more easily. This can in turn create a greater need to drain away surplus water, which can be difficult in areas where there are lots of hard surfaces. In buildings with basements on level ground there is also a risk of insufficient drainage capacity, which increases the likelihood of damage caused by damp.

Extended periods with no rain cause groundwater levels to fall. For open natural environments and ground prone to subsidence it can have a negative impact on bearing resistance and cause subsidence damage, particularly in structures with shallow foundations. Prolonged dry spells can also cause cracks to form near the surface of the ground, which can affect basic infrastructure such as cycle paths, parking areas and small roads. These cracks can be a direct result of the dry conditions, but can also be due to water in the ground being sucked up by plants and trees.

Climate-related opportunities

Fabege's entire business model and operations are adapted to harness opportunities arising out of the transition to a sustainable society. We regard our efforts to reduce energy usage and carbon emissions from operations as a way of future-proofing our properties, cutting costs and satisfying future legal requirements. This work also helps us continue to be an attractive company for all our stakeholders. Our long-term sustainability work also includes our ambition to continually raise the percentage of self-produced energy, primarily from solar panels. The aim is to contribute to a greater proportion of renewable energy both within Fabege's operations and in society as a whole.

Environmentally certifying our properties and creating more sustainable buildings is an important strategic goal. Our aim in the short term is to meet customer demand. In the longer term we also want to be well prepared for new, tougher requirements that are likely to be introduced. By 2030, Fabege's property management, Scopes 1 and 2, will be carbon neutral, while Scope 3 emissions will be reduced by 50 per cent.

Fabege is a relationship builder and enjoys a close partnership with municipalities in which we work together on urban development projects. We believe that good relationships do not just benefit Fabege, but also society as a whole. All in all, the aim is for Fabege, through its responsible approach in all areas of the business, to be the natural choice for customers, employees and investors. We also hope our targeted sustainability work will inspire other companies and fuel the trend towards reducing climate impact going forward.

About this report

This is Fabege's ninth Sustainability Report according to the GRI guidelines for voluntary reporting of sustainability information. Fabege reports on its sustainability work annually and the Sustainability Report is included as part of Fabege's 2020 Annual Report, which pertains to the 2020 financial year. The report has been prepared in accordance with GRI Standards, level Core. The preceding year's Annual Report, including the Sustainability Report, was published in February 2020. The information contained in the Sustainability Report has been subject to a limited review by Deloitte, see Assurance Report on page 103.

The content of the Sustainability Report has been selected on the basis of Fabege's most significant issues, given its operations and their impact relationship on the environment and society; see also section on stakeholder dialogue and materiality analysis on the following page. Fabege's intention is for the sustainability section together with other information contained in the 2020 Annual Report to satisfy stakeholder information requirements, and to provide a comprehensive overview of Fabege's economic, environmental and social work and results. The information in the report pertains to the entire Fabege Group. However, associated companies fall outside the parameters for the report, as Fabege has limited access to the relevant data. Influence is exercised through Board representation.

Fabège's GRI index on pages 130–132 contains references to the disclosures that are compulsory for GRI Standards (GRI 102), as well as disclosures related to Fabège's material sustainability topics (GRI 200–400) and governance of these topics (GRI 103).

Fabège follows the Precautionary Principle, which means that if we discover that there is a threat or risk of serious or irreversible environmental damage occurring, then lack of scientific evidence will not prevent us from taking cost-effective action.

This year, Fabège is reporting the company's sustainability performance measures based on EPRA's (European Public Real Estate Association) latest recommendations: Best Practices Recommendations on Sustainability Reporting, sBPR, third version September 2017. Performance measures are reported for energy, greenhouse gas emissions, water, waste, environmentally certified buildings and corporate governance and social aspects.

Fabège uses actual consumption when calculating emissions according to the Greenhouse Gas Protocol, page 87. Emissions factors for electricity this year include the direct emissions resulting from electricity production and emissions factors for district heating are reported without the effect of carbon offsetting. We instead report carbon offsetting as a negative emissions item separately from Scope 1 and Scope 2.

Stakeholder engagement and materiality analysis

Fabège's principal stakeholders are customers, employees, creditors, shareholders and analysts, suppliers and municipalities in which the company operates. We maintain a continual dialogue with all of these stakeholder groups. In 2020 we conducted new and extensive stakeholder engagement activities and a materiality analysis via a survey, workshop and comprehensive interviews. The survey was sent out to a total of around 400 individuals, and the response rate was just over 50 per cent. All stakeholder groups were represented. In the survey, we asked the respondents to rank from a stakeholder perspective how Fabège should prioritise and what direction the company should take in relation to the UN 2030 Agenda and the 17 Sustainable Development Goals (SDGs). There was also an option to write their own responses, and we asked what overall sustainability goals the stakeholders prioritised in their own businesses.

Following this, Fabège arranged an internal workshop to adjust the seven previously prioritised SDGs and the company's own specific sustainability targets in line with stakeholders' expectations. Finally, we conducted comprehensive interviews with customers, the Board, financiers and municipalities. We did this in order to understand nuances and identify synergies between the 17 SDGs. The results of the dialogues and the subsequent analysis reveal that the following SDGs are the most significant for Fabège:

- Goal 3: Good Health and Wellbeing
- Goal 7: Affordable and Clean Energy
- Goal 9: Sustainable Industry, Innovation and Infrastructure
- Goal 10 is to reduce inequalities
- Goal 11: Sustainable Cities and Communities
- Goal 12: Responsible consumption and production.

The materiality analysis has also been used to develop Fabège's sustainability reporting and ensure we report on those areas that are most relevant to our stakeholders. As a result of the materiality analysis, Fabège has added a further four GRI standards and disclosures:

- GRI 203-1: Infrastructure investments and services supported
- GRI 403-9: Occupational health and safety
- GRI 201-1: Direct economic value generated and distributed
- GRI 207-4: Tax information

The most significant sustainability goals are reflected in the company's work within the subareas districts, property, customers, employees, suppliers, finance and business ethics.

Fabège's stakeholders and impact

Area	Dialogue format	Impact on stakeholders	Impact on sustainable development
Customers	<ul style="list-style-type: none"> Sustainability network together with companies in Arenastaden and City Travel habit survey of around 22,000 employees whose workplaces are in Arenastaden Regular customer dialogue Customer satisfaction surveys Newsletters Cooperation on green leases 	<ul style="list-style-type: none"> Facilitating sustainable mobility and offering low-carbon logistics services in the districts Design of premises via choice of materials, renewable electricity, flexibility, energy efficiency improvements and sorting waste for recycling (Examples of commitments included in the green lease) Creating attractive, secure and safe public spaces with services, convenience stores and experience-based meeting places Increasing the green space factor for public areas by creating parks, squares and thoroughfares that provide ecosystem services and pleasant environments 	<ul style="list-style-type: none"> Health and environmentally certified premises, buildings and districts that offer customers good opportunities to make sustainable choices Continued development of public transport and services to reduce carbon footprint Contributing to a sustainable lifestyle Involvement in learning and participation in sustainable urban development Developing zero-energy buildings Reduced energy consumption and renewable energy Strengthening capacity for low-carbon adjustments, boosting biodiversity, public health and quality of life, and helping create an attractive district
Employees	<ul style="list-style-type: none"> Performance reviews Human resources surveys Café Fabège (meeting forum) Conferences 	<ul style="list-style-type: none"> Facilitating work-life balance Code of Conduct Great Place to Work Our core values, SPEAK Skills development Fitness promotion Terms of employment Human rights 	<ul style="list-style-type: none"> Healthy and committed employees Skills development helps employees progress within the company. It also strengthens their position in the labour market in general Ensuring equal rights for all regardless of gender, ethnicity, religion, disability, age and other factors Combating discrimination Involvement in learning and participation in sustainable urban development
Shareholders and analysts	<ul style="list-style-type: none"> Annual report Quarterly reports Capital market days Roadshows and one-to-one meetings Audit Committee and Board of Directors reporting 	<ul style="list-style-type: none"> Initiated discussions with analysts about value-adding sustainability work Prioritised SDGs based on materiality analysis The Board's rules of procedure include regular monitoring of sustainability issues 	<ul style="list-style-type: none"> Transparency promotes long-term sustainable investment Reporting of climate-related risks and opportunities speeds up the transition to a low-carbon society
Creditors	<ul style="list-style-type: none"> Cooperation with creditors and bond investors on sustainability reporting Presentations, quarterly reports, annual report, web Meetings, property viewings and seminars Capital market days 	<ul style="list-style-type: none"> Participated in the development of banks' green loan products and new sustainable products on the capital market Continuous sustainability discussions with financiers 	<ul style="list-style-type: none"> Can speed up the transition to a more sustainable economy Increasing the proportion of sustainable investments that reduce climate risk in assets Disseminating sustainability knowledge
Suppliers	<ul style="list-style-type: none"> Centralised procurement/framework agreements subjecting suppliers to demands for complying with Fabège's Code of Conduct 	<ul style="list-style-type: none"> Demands for impeccable business ethics and Code of Conduct Continuous quality measurements of suppliers Far-reaching requirements regarding areas such as energy efficiency, resource management and choice of materials Must follow health and environmental certification systems 	<ul style="list-style-type: none"> Ensure labour law is complied with in areas such as salaries and overtime Combat inadequate business ethics and corruption Prevent child labour and forced labour Guarantee fire safety and work environment Combat negative impact on environment in local community resulting from emissions of hazardous substances to water, air and/or soil
Society	<ul style="list-style-type: none"> Regular meetings with municipality and agencies Collaborative meetings together with networks of companies (BELOK, SGBC, Swedish Property Federation, Byggherreforum, etc.) Cooperation agreements with nonprofit organisations 	<ul style="list-style-type: none"> Via planning process, property management and development work to achieve sustainable property and urban development Stimulating social sustainability through measures such as art projects and targeted youth activities Decision to contribute SEK 180m to finance expansion of underground rail service to Arenastaden 	<ul style="list-style-type: none"> Contributing towards keeping global warming under two degrees. Creating experience-based, vibrant neighbourhood environments with a mix of offices, residential units, services, culture, meeting places and nature areas Working for sustainable mobility by creating infrastructure for electric vehicles, cooperating with public transport and improving conditions for cyclists Creating conditions for a safe and secure living environment where residents, workers and visitors can spend time on equal terms

GRI index

General disclosures

GRI STANDARDS/AREAS	DISCLOSURE	DESCRIPTION	REFERENCE	COMMENTS/OMISSIONS
Organisational profile				
GRI 102: General disclosures (2016)	102-1	Name of the organisation	43	
	102-2	Activities, brands, products and services	43	
	102-3	Location of headquarters	66	
	102-4	Location of operations	43	
	102-5	Ownership and legal form	43, 147	
	102-6	Markets served	43, 135	
	102-7	Scale of the organisation	1, 60-61	
	102-8	Information on employees and other workers	117	
	102-9	Supply chain	118-119	
	102-10	Changes in reporting	128	
	102-11	Precautionary principle or approach	128	
	102-12	Membership of sustainability initiatives	32-33, 85	
	102-13	Involvement in organisations	125	
Strategy				
	102-14	Statement from senior decision-maker	8	
Ethics and integrity				
	102-16	The company's values, principles, standards and norms for conduct	55-56, 85, 114-115	
Governance				
	102-18	Statement of corporate governance	84-85, 87, 112	
Stakeholder engagement				
	102-40	Stakeholder groups engaged in the company	128-129	
	102-41	Percentage of employees covered by collective bargaining agreements	117	All employees are covered by a collective bargaining agreement. Fabege is a member of the employer organisation Almega.
	102-42	Identifying and selecting stakeholders	128	
	102-43	Approach to stakeholder engagement	128-129	
	102-44	Key areas highlighted via communication with stakeholders	128-129	
Reporting practice				
	102-45	Entities included in the consolidated financial statements	80-81, 128	
	102-46	Defining report content and topic boundaries	128	
	102-47	List of material topics	128	
	102-48	Restatements of information	128	
	102-49	Significant changes that have been made since the previous reporting period with regard to boundaries and scope	128	
	102-50	Reporting period		2020 calendar year
	102-51	Date of most recent report		2019 Sustainability Report, published February 2020
	102-52	Reporting cycle		Calendar year
	102-53	Contact point for questions regarding the report	151	
	102-54	Claims of reporting in accordance with the GRI Standards	128	
	102-55	GRI index	130-132	
	102-56	External assurance	133	

GRI STANDARDS/AREAS	DISCLOSURE	DESCRIPTION	REFERENCE	COMMENTS/OMISSIONS
City districts				
<i>Boundary: Relevant externally as Fabege's operations and participation in urban development projects can contribute to smart infrastructure and attractive, safe environments.</i>				
Indirect economic impacts				
GRI 103: Management approach (2016)	103-1, 103-2, 103-3	Management approach	106-107, 131	
GRI 203: Indirect economic impacts (2016)	203-1	Infrastructure investments and services supported	106-108	
Properties				
Energy				
<i>Boundary: Material internally and externally through the carbon dioxide emissions produced by energy consumption.</i>				
GRI 103: Management approach (2016)	103-1, 103-2, 103-3	Management approach	89, 109-112, 131	
GRI 302: Energy (2016)	302-1	Energy consumption within the organisation	109-112	
	302-3	Energy intensity (use per sqm)	109-112	
Emissions				
<i>Boundary: Relevant internally and externally through the carbon dioxide emissions produced by energy consumption.</i>				
GRI 103: Management approach (2016)	103-1, 103-2, 103-3	Management approach	89, 108, 110-112, 131	
GRI: 305 Emissions (2016)	305-1	Direct (Scope 1) GHG emissions	32, 104 108-110, 112	
	305-2	Energy indirect (Scope 2) GHG emissions	32, 104 108-110, 112	
	305-4	GHG emissions intensity (per sqm)	109-110	
Waste				
<i>Boundary: Relevant internally through the waste generated at our own offices. Relevant externally through the waste generated by our tenants.</i>				
GRI 103: Management approach (2016)	103-1, 103-2, 103-3	Management approach	89, 110-112, 131	
GRI: 306 Waste (2016)	306-2	Waste by type and disposal method	109	
Employees				
<i>Boundary: Relevant internally in that Fabege offers its employees a stimulating, safe and healthy working environment, and relevant externally in that this makes Fabege an attractive employer for potential employees.</i>				
Employment				
GRI 103: Management approach (2016)	103-1, 103-2, 103-3	Management approach	85, 89, 112, 114-116, 131	
GRI 401: Employment	401-1	New employee hires and employee turnover	72, 117	Faberge does not report fully in accordance with GRI standards. Only a proportion of total number of employees is reported.
Occupational health and safety				
GRI 103: Management approach (2016)	103-1, 103-2, 103-3	Management approach	85, 89, 112, 114-116, 131	
GRI 403: Occupational health and safety (2018)	403-1	Occupational health and safety management system	114-116, 118-120	
	403-2	Hazard identification, risk assessment and incident investigation	114-116, 118-120	
	403-3	Occupational health services	114-116, 118	
	403-4	Worker participation, consultation and communication on occupational health and safety	114-116, 118-119	
	403-5	Worker training on occupational health and safety	114-115, 118	
	403-6	Promotion of worker health	114-115, 118-120	
	403-7	Prevention and mitigation of occupational health and safety impacts	114-115, 118-120	
GRI 403: Occupational health and safety (2018)	403-9	Work-related injuries	117, 120	

GRI STANDARDS/AREAS	DISCLOSURE	DESCRIPTION	REFERENCE	COMMENTS/OMISSIONS
Employees, cont.				
Training and education				
GRI 103: Management approach (2016)	103-1, 103-2, 103-3	Management approach	85, 89, 112, 114-116, 131	
GRI 404: Training and education (2016)	404-3	Percentage of employees receiving regular performance and career development reviews	115	Faberge does not report in full according to GRI standards. Only a proportion of total number of employees is reported.
Diversity and equal opportunity				
GRI 103: Management approach (2016)	103-1, 103-2, 103-3	Management approach	85, 89, 112, 114-116, 131	
GRI 405: Diversity and equal opportunity (2016)	405-1	Diversity of governance bodies and employees	72, 117	
Non-discrimination				
GRI 103: Management approach (2016)	103-1, 103-2, 103-3	Management approach	85, 89, 112, 114-116, 131	
GRI 406: Non-discrimination (2016)	406-1	Total number of incidents of discrimination and how they are addressed	85	
Supplier chain				
<i>Boundary: Relevant externally as Faberge imposes stringent requirements on its suppliers, and internally as this work generates awareness and pride among employees.</i>				
Supplier social assessment				
GRI 103: Management approach (2016)	103-1, 103-2, 103-3	Management approach	55-56, 112, 118-120, 132	
GRI 414: Supplier social assessment (2016)	414-1	New suppliers that were screened using social criteria	119-120	
GRI 308: Supplier environmental assessment (2016)	308-1	New suppliers that were screened using environmental criteria	119-120	
Financing				
<i>Boundary: Relevant internally and externally as Faberge's business is dependent on financially healthy long-term earnings and solid financing that contributes to sustainable development.</i>				
Green financing				
GRI 103: Management approach (2016)	103-1, 103-2, 103-3	Management approach	46-47, 105, 122-123, 132	
	Company-specific	Proportion of green financing	39, 105, 122	
Customers				
<i>Boundary: Relevant internally and externally as good customer relations affect both retention rate and new lettings</i>				
Certified properties				
GRI 103: Management approach (2016)	103-1, 103-2, 103-3	Management approach	89, 112, 124, 132	
	Company-specific	Percentage certified properties	110-111	
Business ethics and moral approach				
<i>Boundary: Relevant internally and externally as Faberge's Code of Conduct and tax management affects employees, cooperation partners and society in general.</i>				
Anti-corruption				
GRI 103: Management approach (2016)	103-1, 103-2, 103-3	Management approach	55-56, 85, 89, 112, 125, 132	
GRI 205: Anti-corruption (2016)	205-3	Confirmed incidents of corruption and actions taken	125	
Tax				
GRI 103: Management approach (2019)	103-1, 103-2, 103-3	Management approach	89-90, 125, 132	
GRI 207: Sustainability governance for Tax (2019)	207-1	Approach to tax	86-87, 87, 89-90, 125	
	207-2	Tax governance, control and risk management	55, 89-90, 97, 125	
	207-3	Stakeholder engagement and management concerns related to tax	55, 123, 128	
GRI 207: Tax (2019)	207-4	Tax information	43, 45, 55, 60, 61, 66, 75, 117	

UO = Outside the organization's limits
 IO = Inside the organization's limits

Auditor's limited assurance review of Fabege AB's (publ) sustainability report and statement regarding the statutory Sustainability Report

TO FABEGE AB (PUBL), CORP. REG. NO 556049-1523

Introduction

We have been engaged by the Board of Directors of Fabege AB (publ) to undertake a limited assurance engagement of the Sustainability Report of Fabege AB for 2020. The company has defined the scope of its sustainability reporting on pages 100–132 of this document, including a definition of the statutory Sustainability Report on pages 130–132.

Responsibilities of the Board of Directors and management

The Board of Directors and management are responsible for sustainability reporting, including the preparation of the statutory Sustainability Report in accordance with applicable criteria and the Swedish Annual Accounts Act. The criteria are detailed on pages 130–132 of the sustainability report, and comprise those parts of the framework for sustainability reporting published by GRI (Global Reporting Initiative) that are relevant for sustainability reporting, along with the company's own accounting policies and calculation principles. This responsibility also includes the internal controls relevant to the preparation of a sustainability report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the sustainability reporting based on the limited assurance procedures we have performed, and to issue a statement regarding the statutory Sustainability Report. Our assignment is limited to the historical information that is reported and thus does not cover data relating to future performance.

We have conducted our limited assurance review according to ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. We have performed our review of the statutory Sustainability Report in accordance with FAR's recommendation RevR 12 Auditor's statement regarding the statutory sustainability report. The procedures per-

formed in a limited assurance engagement and a review according to RevR 12 vary in nature from, and are less in scope than for a reasonable assurance engagement conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden.

The audit company applies ISQC 1 (International Standard on Quality Control) and therefore has a comprehensive quality assurance system, which includes documented guidelines and procedures regarding compliance with ethical requirements, standards for professional practice and applicable requirements in laws and other regulations. We are independent in relation to Fabege AB, in accordance with generally accepted auditing standards in Sweden, and have in other respects fulfilled our ethical responsibility according to these requirements.

The procedures performed during a limited assurance review and review in accordance with RevR 12 consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. The conclusion expressed based on a reasonable assurance review and review according to RevR 12 therefore does not carry the same level of assurance as a conclusion based on an audit.

Our review of the Sustainability Report is based on the criteria defined by the Board of Directors and the Executive Management, which are described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We consider that the evidence we have obtained during our review is sufficient and appropriate for the purposes of giving us a basis for our opinions below.

Opinions

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report has not been prepared, in all material respects, in accordance with the criteria stated above by the Board of Directors and Executive Management.

A statutory sustainability report has been prepared.

Stockholm, 1 March 2021
Deloitte AB

Peter Ekberg
Authorised Public Accountant

Property portfolio

Fabege's properties are concentrated to four submarkets in the Stockholm region: Stockholm inner city, Solna and Hammarby Sjöstad, and Flemingsberg.

The property portfolio mainly comprises commercial premises. Offices account for 84 per cent of the total lettable area, 1,245,000 sqm. In addition to offices, the portfolio includes retail, industrial/warehouse, residential space, hotel and garage properties. The largest submarket, Solna, accounts for 50 per cent of the total market value. At year-end 2020/2021, Fabege owned 94 properties. The market value was SEK 76.6bn and the total rental value SEK 3.2bn.

Changes to the property portfolio in 2020

Two properties were acquired in the second quarter: Påsen 1 in Hammarby Sjöstad and a land property in Arenastaden for a purchase price totalling SEK 440m. In the third quarter, Regulatörn 2 in Flemingsberg was acquired for a purchase price of SEK 760m. September also saw the formal handover of the development right Poolen 1, Arenastaden.

During the first quarter, a land property in Vallentuna was sold for a purchase price of SEK 58m. Sadelplatsen 2, Solna, was sold in the fourth quarter for a purchase price of SEK 260m. The property is due to be vacated on 26 March 2021. Furthermore, Hagalund 2:2 in Haga Norra has been divided up into six properties. Including a reversal of a provision for previously divested properties, realised changes in value amounted to SEK 49m (0). Fabege and Peab are joint investors in a co-owned garage property in Råsunda, Solna. The property is being accounted for using proportionate consolidation and was included in Fabege's accounts at year-end with a property value of SEK 35m.

Changes in value of properties

The property portfolio is valued according to a well-established process. The entire property portfolio is independently valued at least once a year, and at least 25 per cent of the portfolio is independently valued at the end of each quarter. The value of the remaining properties is appraised internally based on the external valuations as required. The external valuation was carried out by Cushman & Wakefield and Newsec.

Customers

The customer portfolio is well diversified with over 660 customers from a wide range of industries, representing a mix of private businesses and public sector organisations.

Property-related KPIs

Year	2020	2019	2018	2017	2016
No. of properties	94	87	89	90	82
Lettable area, 000 sqm	1,245	1,255	1,252	1,136	1,062
Financial occupancy rate, %	91	94	94	94	94
Rental value, SEKm	3,242	3,195	2,960	2,594	2,335
Surplus ratio, %	75	75	74	74	72

Average yield requirement per area

Year	Average yield requirement, %
Stockholm inner city	3.60
Solna	4.00
Hammarby Sjöstad	4.20
Other markets	5.48
Average return	3.88

Sales of properties

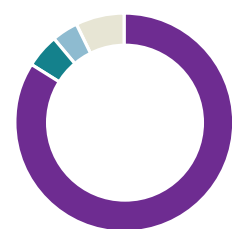
Property name	Area	Category	Lettable area
Vallentuna Richeby 1:327	Vallentuna	Land	0
Total sales of properties			0

¹⁾ Divested, to be vacated 23 January 2020.

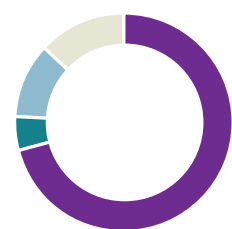
Property acquisitions

Property name	Area	Category	Lettable area
Järva 3:7	Arenastaden	Land	0
Påsen 1	Hammarby Sjöstad	Offices	9,884
Regulatörn 2	Flemingsberg	Offices	43,157
Poolen 1	Arenastaden	Land	0
Total			53,041

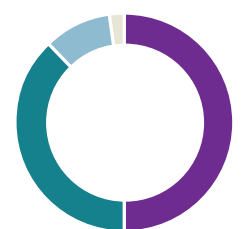
Rental value per category
Total SEK 3,195m



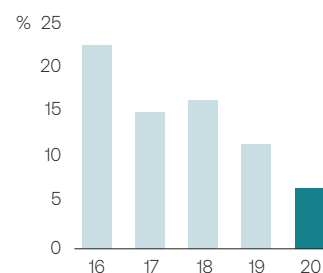
Lettable area by category
Total 1,245,000 sqm



Property value by area
Total SEK 74.3bn



Total return on the property portfolio



Biggest customers

Customer	Percentage ¹⁾	Year of expiry
SEB	7	2037
Swedish Tax Agency	5	2022
Telia Company AB	5	2031
ICA Fastigheter Sverige AB	4	2030
Swedbank	2	2029
Migrationsverket	2	2028
Carnegie Investment Bank AB	2	2022
Statens Skolverk	1	2024
Telenor AB	1	2028
Svea Ekonomi	1	2023
Total	30	

¹⁾ Percentage of contractual rent.

15 highest valued properties at 31 December 2020

Property name	Area	Category	Lettable area, 000 sqm
Pyramiden 4	Arenastaden	Offices	72,234
Apotekaren 22	Norrmalm	Offices	28,326
Nationalarenan 8	Arenastaden	Offices	46,834
Bocken 35 & 46	Norrmalm	Offices	14,934
Bocken 39	Norrmalm	Offices	20,335
Orgeln 7	Sundbyberg	Offices	37,353
Signalen 3	Arenastaden	Offices	31,492
Barnhusväderkv. 36	Norrmalm	Offices	25,980
Luma 1	Hammarby Sjöstad	Offices	38,345
Fräsaren 11	Solna Business Park	Offices	39,167
Smeden 1	Solna Business Park	Offices	45,013
Fräsaren 12	Solna Business Park	Offices	37,613
Nöten 4	Solna Strand	Offices	60,995
Uarda 1 (Building A)	Arenastaden	Offices	24,355
Hägern Mindre 7	Norrmalm	Offices	13,421

Average remaining lease term by sub-market, 31 December 2020

Area	No. of properties	No. of leases	Lease length, years
Stockholm inner city	27	630	2.7
Solna	51	418	5.8
Hammarby Sjöstad	11	282	2.9
Other markets	5	56	3.4
Total/average	94	1,386	4.4

Lease maturity structure

Year of maturity	No. of leases	Annual rent, SEKm	%
2021 ¹⁾	575	534	18
2022	296	651	22
2023	242	357	12
2024	117	190	7
2025	77	263	9
2026+	79	801	27
Commercial	1,386	2,796	96
Housing contract	128	13	0
Garage and parking	778	109	4
Total	2,292	2,918	100

¹⁾ Of which just over SEK 186m has been renegotiated for 2021.

Changes in the property portfolio

	Market value, SEKm	No. of properties
Property portfolio, 31/12/2019	74,250	87
+ Acquisitions	1,370	4
+ Property reallocations		5
+ New builds, extensions and conversions	1,854	
– Sales	–3,541	–2
+/- Unrealised changes in value	2,715	
Property portfolio, 31/12/2020	76,648	94

Breakdown by lettable area, 31 December 2020

Sqm	Offices	Retail	Industrial/warehouse	Hotel	Residential	Garage	Total
Stockholm inner city	231,093	23,563	19,620	7,436	8,980	29,104	319,796
Solna	555,624	30,297	35,917	903	19,324	80,655	722,720
Hammarby Sjöstad	100,313	8,194	17,336	691	0	7,318	133,852
Other markets	5,077	1,056	62,039	0	0	40	68,212
Total	892,107	63,110	134,912	9,030	28,304	117,117	1,244,580

Property listing

Property holdings	No. of properties	Lettable area, 000 sqm	Market value, SEKm	Rental value ²⁾ , SEKm	Financial occupancy rate, %
Investment properties ¹⁾	60	1,021	65,314	3,037	92
Development properties ¹⁾	20	215	8,157	201	72
Land and project properties ¹⁾	14	9	3,177	4	0
Total	94	1,245	76,648	3,242	91
Of which, Inner city	27	320	28,910	1,223	89
Of which, Solna	51	723	38,650	1,589	93
Of which, Hammarby Sjöstad	11	134	7,532	368	89
Of which, other	5	68	1,556	62	87
Total	94	1,245	76,648	3,242	91

¹⁾ See definitions for further details.

²⁾ In the rental value, time limited deductions of about SEK 116m (in rolling annual rental value at 31 December 2020) have not been deducted.

Planning process in Sweden

A local development plan is a map featuring regulations that state what the land may be used for and how the buildings should look within the planning area. The average planning process takes between two and three years.

1 Planning decision

If a change to a planning area requires a new plan or an adjustment to the existing detailed plan, an application must be made for a planning decision. The municipality decides whether or not the planning work may begin.

2 Potential programme

Before the planning work is initiated, the municipality decides whether a programme might potentially be required to describe appropriate use of land, infrastructure needs and consequences of a new local development plan. An initial consultation takes place at the programme stage. Any comments that are submitted then form the basis of the formal plan proposal that is drawn up ahead of the next consultation.

3 Consultation for local development plan

The formal plan proposal is drawn up by the municipality's planning administrators in cooperation with Fabege. An initial plan proposal is sent out for consultation to the relevant parties and authorities for their views. Following the consultation period, the proposal is adjusted and all comments received are recorded in a consultation report. The relevant board makes a decision regarding the final plan proposal.

4 Review of local development plan

Once the consultation has been concluded, the proposal is released and the relevant parties have at least three weeks in which to examine and submit comments regarding the plan.

Once again, potential adjustments are made to the proposal in response to comments received. Any views and comments received are compiled in a review report. Once this process is complete, the local development plan is approved by the relevant board.

5 Adoption

Following approval, the plan then goes on to the local government council (or delegated political authority) for adoption.

6 Appeal

The municipality's decision regarding the local development plan can be appealed at the Land and Environment Court within three weeks, provided the party launching the appeal is directly affected by the proposal and submitted comments in writing during the review period.

7 Legal approval

If the local development plan is not appealed, or if the appeal is rejected, the plan gains legal approval and can be implemented.

8 Construction start

Once the local development plan has gained legal approval, and planning permission and a decision regarding a start date have been obtained from the municipality, construction can begin.

Projects

ARENASTADEN

New headquarters for Fabege

In spring 2021 we will be relocating our headquarters to newly renovated premises at Gårdsvägen 6. This will bring us nextdoor to the new 'Södra Entrén' – a public transport hub with access to light railway, underground trains, commuter trains and buses. A new Work Away from Work facility will also be located on the ground floor, available to all our tenants.



STIGBYGELN 2

Completed: Q2 2021

Lettable area: 8,460 sqm

Estimated investment: SEK 190m

Largest tenants: Fabege, Basefarm

Environmental classification:
BREEAM In-Use, Excellent

ARENASTADEN

Building of the future

We're building Scandinavia's first zero-energy hotel – House of Choice – in Arenastaden, Solna. Smart choices, such as covering the facade and roof with just over 2,500 sqm of solar panels, will generate more energy than that required to run the property. A visit to House of Choice will hopefully inspire guests to adopt a sustainable lifestyle.



NATIONALARENAN 3

Completed: Q2 2021

Lettable area: 19,100 sqm

Estimated investment: SEK 770m

Largest tenants: Nordic Choice Hotels

Environmental classification:
BREEAM-SE, Excellent

ARENASTADEN

The best of both worlds

Welcome to Arenastaden's new landmark – Kvarter Poolen. A fantastic office in a building featuring attractive architecture in a district that genuinely has it all. The open building, with the City of Solna's new swimming pool on the ground floor and office premises across the remaining floors, offers opportunities for fitness and recreation, while contributing to the development of an attractive business district. 2022 will see consulting giant TietoEVRY moving into the property, our first and biggest tenant there.



POOLLEN 1

Completed: Q2 2022

Lettable area: 28,000 sqm

Estimated investment: SEK 1,103m

Largest tenants: TietoEVRY

Environmental classification:
BREEAM-SE, Excellent

HAGA NORRA**Next stage begins**

This attractive area is close to Arenastaden, Hagaparken and the expanded public transport options at Solna Station. In the area, which has north Stockholm's top transport location, 50,000 sqm of office space and 1,000 homes will be built.

**HAGALUND 2:11**

Completed: Q1 2021

Lettable area: 40,300 sqm

Estimated investment: SEK 1,152m

Largest tenants: Bilia

Environmental classification:
BREEAM-SE, Very Good

STADSHAGEN**By Hornsbergs Strandpark**

The property is located by Karlbergssjön, in the northwest of Kungsholmen, close to both Stadshagen underground station and the exciting new residential development at Hornsberg, with its rich array of restaurants, cafés and other services.

**GLÄDJEN 12**

Completed: Q4 2022

Lettable area: 11,000 sqm

Estimated investment: SEK 177m

Largest tenants: Electrolux Professional

Environmental classification:
BREEAM-In-Use, Very Good

INNER CITY**Co-working in the best location**

One of Stockholm's absolutely foremost streets, combined with a building with traditions and qualities dating back 100 years, were Convendum's choice for its next impressive co-working location. Kungsgatan 9, with nearly 7,600 sqm, will host a range of facilities, from open-plan café on street level, lounge areas, conference rooms, serviced offices and separate areas for small businesses.

**BOCKEN 39**

Completed: Q2 2022

Lettable area: 7,500 sqm

Estimated investment: SEK 194 m

Largest tenants: Convendum

Environmental classification:
BREEAM-SE, Very Good

Ongoing projects > SEK 50m

Property listing	Category	Area	Completed	Lettable area, sqm	Occupancy rate, % space ¹	Rental value ²	Carrying amount, SEKm	Estimated investment, SEKm	Of which used, SEKm
Stigbygeln 2	Offices	Solna	Q1 2021	8,400	73	30	513	189	106
Hagalund 2:11 ³	Shops/Offices	Arenastaden	Q1 2021	40,300	100	51	665	1,152	876
Nationalarenan 3	Hotel	Arenastaden	Q1 2021	19,100	100	55	930	772	654
Poolen 1	Offices	Arenastaden	Q1 2022	29,000	75	95	663	1,103	318
Glädjen 12	Offices	Stadshagen	Q4-2022	11,000	12	44	527	177	7
Total				107,800	82	275	3,298	3,393	1,961
Other land and project properties							1,071		
Other development properties							6,965		
Total project, land and development properties							11,334		

¹ Operational occupancy rate at 31 December 2020.

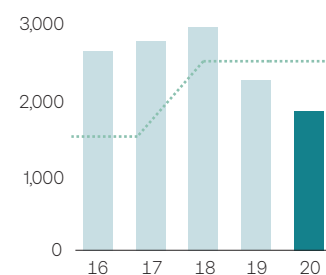
² Rental value including supplements. The annual rent for the largest projects in progress could increase to SEK 275m (fully let) from SEK 0m in annualised current rent at 31 December 2020.

³ Name changed after reallocation 22 December 2020. Approx. 25,400 sqm of the lettable area for the Hagalund 2:11 (formerly Stora Frösunda 2) property relates to a parking area.

Development rights 31/12/2020⁴⁾

Commercial, sqm		Residential, sqm	
Inner city	36,000	Inner city	1,100
Solna	300,100	Solna	259,200
Hammarby Sjöstad	58,700	Hammarby Sjöstad	-
Flemingsberg	104,000	Flemingsberg	235,000
Other	79,000	Other	-
Total	577,800	x\$	495,300
Legal approval, %	21	Legal approval, %	18
Carrying amount, SEK/sqm	5,200	Carrying amount, SEK/sqm	6,200

⁴⁾ Area and carrying amount relate to additional development rights space. Development will in some cases require demolition of existing areas, which will impact the project calculation. The volumes are not maximised. Ongoing planning work aims to increase the volume of future development rights. Flemingsberg is not included, as work is underway on the vision and overall plan. The conclusion is that Flemingsberg will bring a substantial volume of development rights at low initial values.

Investments, SEKm⁵⁾

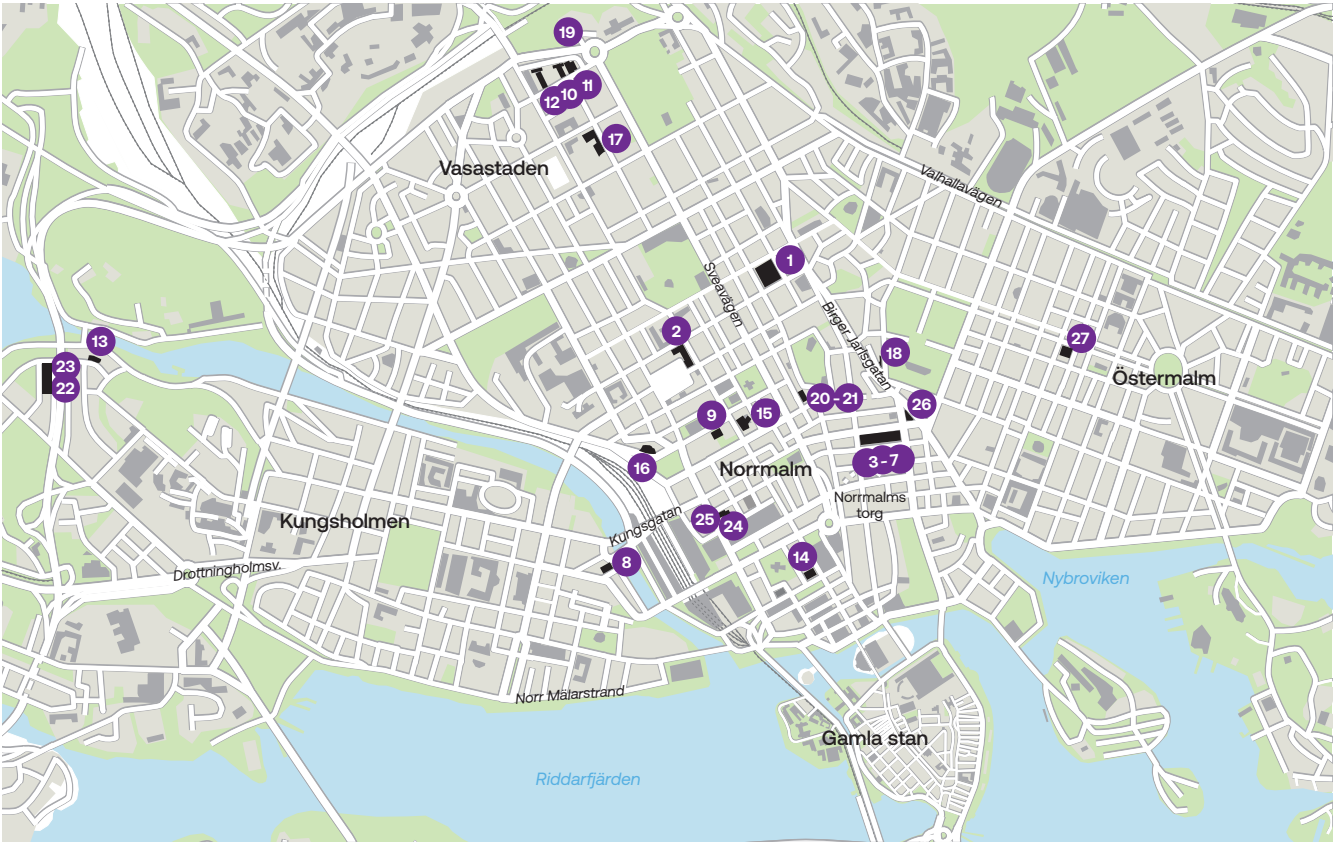
⁵⁾ Target: at least SEK 2,500m per year over a business cycle.

Property listing

Stockholm inner city, 31 December 2020

	Property name	Area	Street address	Construc- tion year	Office /sqm	Retail /sqm	Industrial + warehouse/ sqm	Residential /sqm	Hotel /sqm	Parking + other/sqm	Total lettable area/sqm	Tax value SEK 000s, 31/12/2020
● 1	Apotekaren 22	Norrmalm	Döbelnsg 20, 24, Kungstensg 21–23, Rådmansg 40, 42, Tuleg 7 A–B 13	1902/2002	25,191	680	1,637	0	0	818	28,326	955,000
● 2	Barnhusväderkvarnen 36	Norrmalm	Rådmansg 61–65	1963	13,756	1,149	2,254	0	0	8,821	25,980	559,000
● 3	Bocken 35	Norrmalm	Lästmakarg 22–24	1951	14,376	127	431	0	0	0	14,934	862,000
● 4	Bocken 39	Norrmalm	Lästmakarg 20, Kungsg 7–15	1931	16,082	2,579	1,454	0	0	220	20,335	1,021,000
● 5	Bocken 46	Norrmalm	Regeringsgatan 56	1977	0	0	0	0	0	0	0	0
● 6	Bocken 47	Norrmalm	Lästmakarg 8	1929	531	665	0	0	0	0	1,196	49,000
● 7	Bocken 52	Norrmalm	Lästmakarg 14–16		145	0	0	2,214	0	0	2,359	126,106
● 8	Drabanten 3	Kungsholmen	Kungsbroplan 3, etc.	1907	6,370	0	216	0	0	0	6,586	187,500
● 9	Fenix 1	Norrmalm	Barnhusgatan 3	1929	3,510	48	198	0	0	0	3,756	137,500
● 10	Getingen 13	Vasastan	Sveavägen 149	1963	11,183	659	2,702	0	0	2,415	16,959	330,000
● 11	Getingen 14	Vasastan	Sveavägen 143–147	1953	8,460	2,470	766	0	0	1,123	12,819	233,500
● 12	Getingen 15	Vasastan	Sveavägen 159	1963	13,485	2,502	5,040	0	0	5,001	26,028	322,000
● 13	Glädjen 12	Stadshagen	Franzéng 6, Hornsbergs Strand 17	1949	12,487	0	0	0	0	0	12,487	313,000
● 14	Hägern Mindre 7	Norrmalm	Drottninggatan 27–29	1971	8,329	2,312	613	0	0	2,167	13,421	549,004
● 15	Islandet 3	Norrmalm	Holländargatan 11–13	1904	8,272	0	12	0	0	255	8,539	289,000
● 16	Läraren 13	Norrmalm	Torsgatan 4	1904/1929	6,839	0	0	0	0	0	6,839	250,000
● 17	Mimer 5	Vasastan	Hagagatan 25 A–C, Vanadisvägen 9	1957	11,749	0	18	0	0	5	11,772	0
● 18	Norrtälje 24	Norrmalm	Engelbrektsgatan 5–7	1881	6,367	0	172	0	0	526	7,065	340,000
● 19	Ormräsket 10	Vasastan	Sveavägen 166–170, 186	1962/1967	13,670	3,409	782	0	0	2,071	19,932	409,000
● 20	Oxen Mindre 33	Norrmalm	Luntmakarg 18	1979	8,118	0	1,393	0	0	698	10,209	239,000
● 21	Oxen Mindre 38	Norrmalm	Malmskillnadsg 47 A, B	1979	122	0	0	2,822	0	3	2,947	114,894
● 22	Paradiset 23 ¹⁾	Stadshagen	Strandbergsg 53–57	1944	7,029	89	84	0	0	1,655	8,857	145,500
● 23	Paradiset 27 ¹⁾	Stadshagen	Strandbergsg 59–65	1959	19,690	3,444	977	0	0	2,229	26,340	496,000
● 24	Pilen 27	Norrmalm	Bryggarg 12A	1907	1,865	0	192	0	0	0	2,057	95,000
● 25	Pilen 31	Norrmalm	Gamla Brog 27–29, Vasag 38	1988	4,610	598	229	0	3,542	571	9,550	488,000
● 26	Sparven 18	Östermalm	Birger Jarlsg 21–23, Kungsg 2	1929	1,621	1,581	49	0	5,438	0	8,689	456,029
● 27	Ynglingen 10	Östermalm	Jungfrug 23, 27, Karlav 58–60	1929	7,236	1,252	402	2,400	0	526	11,816	362,000
Total Inner city					231,093	23,563	19,620	7,436	8,980	29,104	319,796	9,329,033

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Solna,

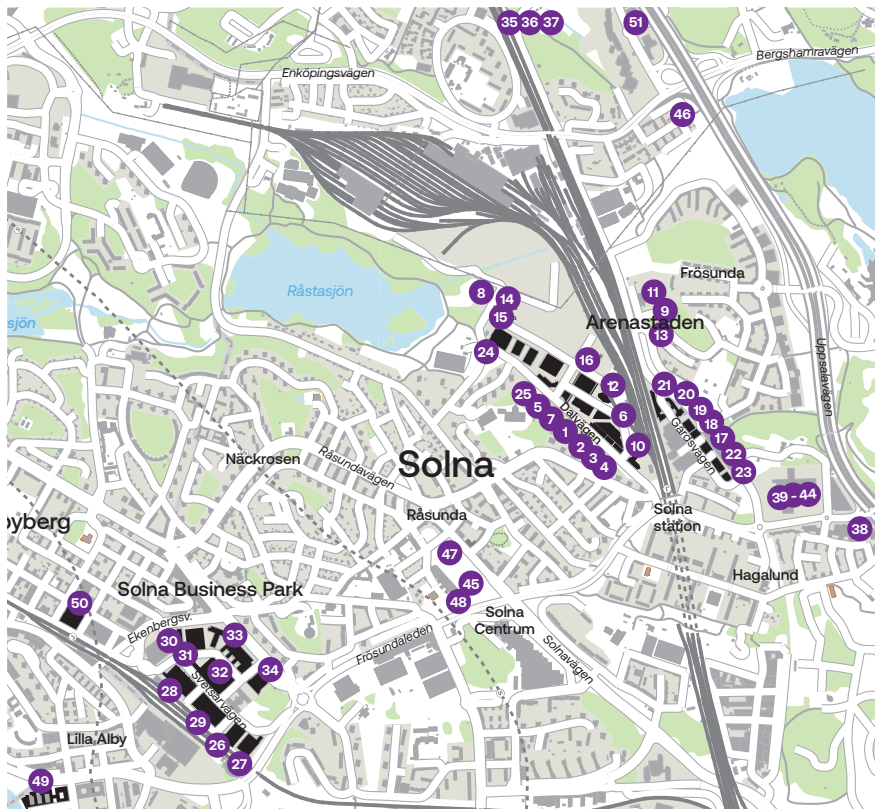
31 December 2020

Solna Arenastaden

Property name	Area	Street address	Construction year	Office /sqm	Retail /sqm	Industrial + warehouse /sqm	Residential /sqm	Hotel /sqm	Parking + other/sqm	Total lettable area/sqm	Tax value SEK 000s, 31/12/2020
1 Farao 14 ¹⁾	Arenastaden	Dalvägen 10, Pyramidvägen 7, 9	1967	0	0	0	0	0	0	0	107,000
2 Farao 15 ¹⁾	Arenastaden	Dalvägen 8, Pyramidvägen 5	1981	6,427	723	815	0	0	1,020	8,985	76,995
3 Farao 16 ¹⁾	Arenastaden	Dalvägen 4-6, Pyramidvägen 3	1973	2,792	1,617	1,402	0	0	540	6,351	48,402
4 Farao 17 ¹⁾	Arenastaden	Dalvägen 2, Pyramidvägen	1975	3,180	0	2,091	0	0	560	5,831	49,003
5 Farao 19 ²⁾	Arenastaden			0	0	0	0	0	0	0	0
6 Farao 20	Arenastaden	Pyramidvägen 7	1964	6,215	1,045	166	0	0	375	7,801	194,000
7 Farao 8	Arenastaden	Dalvägen 12, Pyramidvägen 11	2001	5,839	0	325	0	0	0	6,164	92,000
8 Järva 3:7 ²⁾	Arenastaden			0	0	0	0	0	0	0	897
9 Järva 4:17 ²⁾	Arenastaden			0	0	0	0	0	0	0	0
10 Kairo 1 ¹⁾	Arenastaden	Pyramidvägen 2	1983	10,741	0	0	0	0	0	10,741	100,000
11 Poolen 1 ²⁾	Arenastaden			0	0	0	0	0	0	0	0
12 Pyramiden 4	Arenastaden	Stjärntorget 3-5, Pyramidvägen 4-22, Magasinsvägen 6-12, Råsta strandväg 5-9	2018	72,234	0	0	0	0	0	72,234	1,750,000
13 Signalen 3	Arenastaden	Kolonnvägen 22		31,116	0	376	0	0	0	31,492	560,000
14 Nationalarenan 3	Arenastaden			0	0	0	0	0	0	0	300,000
15 Solna National-arenan 5	Arenastaden	Evenemangsgatan 32	2013	0	0	0	0	0	25,500	25,500	58,000
16 Solna National-arenan 8	Arenastaden	Stjärntorget 1, Råsta strandväg 15C, Evenemangsgatan 2C		46,834	0	0	0	0	0	46,834	983,000
17 Stigbygel 2	Arenastaden	Gårdsvägen 6	1955	8,899	0	0	0	0	0	8,899	120,633
18 Stigbygel 3	Arenastaden	Gårdsvägen 8	1960	4,691	262	454	0	0	0	5,407	94,976
19 Stigbygel 5	Arenastaden	Gårdsvägen 10 A, B	1963	6,791	0	50	0	0	570	7,411	144,000
20 Stigbygel 6	Arenastaden	Gårdsvägen 12-18	2001	8,994	581	338	0	0	0	9,913	222,000
21 Tygel 3	Arenastaden	Gårdsvägen 13-21	2001	4,397	0	0	0	0	5,100	9,497	190,000
22 Tömmen 1	Arenastaden	Gårdsvägen 2-4	1952	5,656	0	1,206	0		229	7,091	27,543
23 Tömmen 2	Arenastaden	Gårdsvägen 2		0	0	0	0	0	2,610	2,610	0
24 Uarda 1	Arenastaden	Dalvägen 30, Evenemangsgatan 27-31, Vintervägen 33	1987	22,242	1,603	480	0	0	30	24,355	603,000
25 Uarda 4	Arenastaden	Dalvägen 14-16	1992	6,496	0	1,482	0	0	0	7,978	149,000
Total Solna, Arenastaden				254,725	5,831	9,185	0	7,533	37,732	315,006	5,918,801

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Solna Business Park

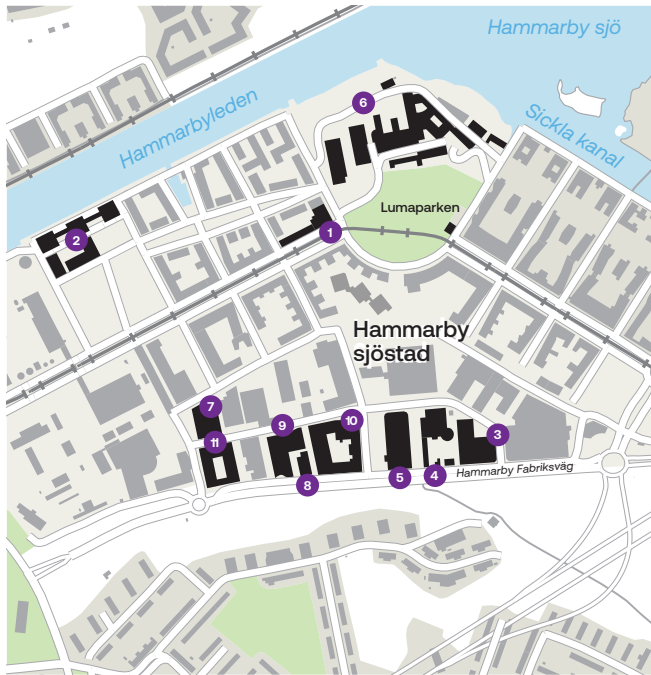
Property name	Area	Street address	Construction year	Office /sqm	Retail /sqm	Industrial + warehouse /sqm	Residential /sqm	Hotel /sqm	Parking + other/sqm	Total lettable area/sqm	Tax value SEK 000s, 31/12/2020
26 Fräsaren 9 ¹⁾	Solna Business Park	Svetsarvägen 22	1962	1,097	0	8,442	0	0	0	9,539	20,449
27 Fräsaren 10	Solna Business Park	Svetsarvägen 24	1964	7,235	4,241	138	0	0	9	11,623	172,000
28 Fräsaren 11	Solna Business Park	Englundavägen 2-4, Svetsarvägen 4-10	1962	32,796	593	1,328	0	1,840	2,610	39,167	575,000
29 Fräsaren 12	Solna Business Park	Svetsarvägen 12-18, 20, 20A	1964	19,646	10,163	964	0	0	6,840	37,613	434,000
30 Sliparen 1 ¹⁾	Solna Business Park	Ekensbergsvägen 115, Svetsarv 1-3	1963	362	0	3,032	0	0	1,388	4,782	23,000
31 Sliparen 2	Solna Business Park	Ekensbergsvägen 113, Svetsarv 3-5	1964	16,021	0	3,242	0	0	3,315	22,578	276,000
32 Smeden 1	Solna Business Park	Englundavägen 6-14, Smidesv 5-7, Svetsarv 5-17	1967	34,564	4,643	1,638	467	0	3,701	45,013	585,317
33 Svetsaren 1	Solna Business Park	Englundavägen 7-13	1964	27,723	1,071	2,402	436	2,491	6,090	40,213	459,135
34 Yrket 3 ¹⁾	Solna Business Park	Smidesvägen 2-8	1982	4,864	0	1,076	0	0	1,470	7,410	39,000
Total Solna Business Park				144,308	20,711	22,262	903	4,331	25,423	217,938	2,583,901

Other parts of Solna

Property name	Area	Street address	Construction year	Office /sqm	Retail /sqm	Industrial + warehouse /sqm	Residential /sqm	Hotel /sqm	Parking + other/sqm	Total lettable area/sqm	Tax value SEK 000s, 31/12/2020
35 Distansen 4 ²⁾	Ulriksdal		2016	0	0	0	0	0	0	0	21,600
36 Distansen 6	Ulriksdal	Kolonnvägen 43-55	2016	10,500	539	0	0	0	0	11,039	158,000
37 Distansen 7	Ulriksdal	Kolonnvägen 57-59	2016	0	0	0	0	0	9,825	9,825	31,506
38 Fortet 2	Haga Norra	Råsundavägen 1-3, Hagavägen 1	1958	1,181	0	0	0	7,533	1,198	9,912	48,352
39 Hagalund 2:10 ²⁾	Haga Norra	Frösundaleden 4		40,276	0	0	0	0	0	40,276	0
40 Hagalund 2:11	Haga Norra			0	0	0	0	0	0	0	0
41 Hagalund 2:12	Haga Norra			0	0	0	0	0	0	0	0
42 Hagalund 2:13	Haga Norra			0	0	0	0	0	0	0	0
43 Hagalund 2:14	Haga Norra			0	0	0	0	0	0	0	0
44 Hagalund 2:15	Haga Norra			0	0	0	0	0	0	0	0
45 Hörnan 1	Råsunda	Solnavägen 31-35, Garvis Carlssons gata 1-9		15,698	730	32	0	0	0	16,460	440,000
46 Järvakrogen 3	Frösunda	Enköpingsvägen 1	2015	0	0	0	0	7,460	0	7,460	214,000
47 Klacken 2 ²⁾	Råsunda			0	0	0	0	0	0	0	0
48 Lagern 5 ³⁾	Råsunda	Solnavägen 37, Idrottsg 7	1985	0	0	0	0	0	0	0	0
49 Nöten 4	Solna Strand	Solna strandväg 2-60	1971	50,043	956	2,400	0	0	7,596	60,995	873,000
50 Orgeln 7	Sundbyberg	Järnvägsgränd 12-20, Lysgränd 1, Roseng 2,4, Stureg 11-19	1966	33,710	1,530	2,039	0	0	74	37,353	640,000
51 Sadelplatsen 1	Frösunda	Vallgatan 11		6,363	0				5	6,368	111,000
Total Other parts of Solna				156,590	3,755	4,471	0	7,460	17,500	189,776	2,489,106
Total Solna (Arenastaden + Solna Business Park + Other)				555,623	30,297	35,918	903	19,324	80,655	722,720	10,991,808

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Hammarby Sjöstad, 31 December 2020



Property name	Area	Street address	Construction year	Office /sqm	Retail /sqm	Industrial + warehouse/ sqm	Residential /sqm	Hotel /sqm	Parking + other/sqm	Total lettable area/sqm	Tax value SEK 000s, 31/12/2020
1 Fartygstrafiken 2	Hammarby Sjöstad	Hammarby Allé 93	1955	6,729	1,840	165	0	0	9	8,743	155,000
2 Båtturen 2	Hammarby Sjöstad	Hammarby Kajv 12, Hammarby Kaj 14-18	1937	16,543	276	457	0	0	1,230	18,506	404,000
3 Korphoppet 1	Hammarby Sjöstad	Virkesvägen 24-26	1949	8,327	575	4,292	0	0	974	14,168	211,500
4 Korphoppet 5 ²⁾	Hammarby Sjöstad	Hammarby Fabriksväg 37-39	1968	0	0	0	0	0	0	0	8,400
5 Korphoppet 6	Hammarby Sjöstad	Hammarby Fabriksväg 33	1988	0	428	4,254	0	0	0	4,682	83,000
6 Luma 1	Hammarby Sjöstad	Ljusslingan 1-17, 2-26, Glödlampsgränd 1-6, Lumaparksv 2-18, 5-15, Kölnag 3	1930	29,954	2,394	1,458	691	0	3,848	38,345	442,448
7 Påsen 1	Hammarby Sjöstad	Textilgatan 41-43		6,671	1,269	1,639	0	0	0	9,579	151,000
8 Trikäfabriken 12 ⁹⁾	Hammarby Sjöstad	Hammarby Fabriksväg 27	1942	0	0	0	0	0	0	0	1,620
9 Trikäfabriken 4	Hammarby Sjöstad	Virkesvägen 8-10	1991	6,695	0	2,904	0	0	975	10,574	142,341
10 Trikäfabriken 8	Hammarby Sjöstad	Virkesvägen 12, Heliosgatan 1-3	1930	12,647	1,037	1,659	0	0	12	15,355	238,000
11 Trikäfabriken 9	Hammarby Sjöstad	Virkesvägen 2-4	1928	12,747	375	508	0	0	270	13,900	464,000
Total, Hammarby Sjöstad				100,313	8,194	17,336	691	0	7,318	133,852	2,301,309

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Flemingsberg, 31 December 2020

Property name	Area	Street address	Construction year	Office /sqm	Retail /sqm	Industrial + warehouse /sqm	Residential /sqm	Hotel /sqm	Parking + other/sqm	Total lettable area/sqm	Tax value SEK 000s, 31/12/2020
1 Batteriet 3 ¹⁾	Flemingsberg	Regulatorvägen 15	1981	800	0	0	0	0	0	800	5,728
2 Batteriet 4 ²⁾	Flemingsberg	Regulatorvägen 17		0	0	0	0	0	0	0	3,604
3 Regulatorn 1 ¹⁾	Flemingsberg	Jonvägen 1, 3; Elektronvägen 2, 4, 6; Regulatorvägen 6, 8	1963	0	1,056	24,080	0	0	0	25,136	179,672
4 Regulatorn 2 ¹⁾	Flemingsberg	Elektronvägen 1		4,278		37,959			40	42,277	173,508
Total, Flemingsberg				5,078	1,056	62,039	0	0	40	68,213	362,512



Other, 31 December 2020

Norra Stockholm

Property name	Area	Street address	Construction year	Office /sqm	Retail /sqm	Industrial + warehouse /sqm	Residential /sqm	Hotel /sqm	Parking + other/sqm	Total lettable area/sqm	Tax value SEK 000s, 31/12/2020
1 Tekniken 1 ²⁾	Sollentuna			0	0	0	0	0	0	0	116
Total, other parts of Solna				0	0	0	0	0	0	0	116

The list of properties contains all properties owned by Fabega at 31 December 2020.

Unless otherwise stated, the property is classified as an investment property, meaning a property under regular and active management.

¹⁾ Development property – Properties in which a conversion or extension is in progress or planned that has a significant impact on the property's net operating income.

Net operating income is affected either directly by the project or by limitations on lettings prior to impending improvement work. Recently acquired properties (within one year) with work in progress to significantly improve the property's net operating income in relation to the date of acquisition.

²⁾ Land & project property – Land and development properties and properties in which a new build/complete redevelopment is in progress.

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Share information

Fabège's share declined by 18.7 per cent in 2020 and at year-end the share price was SEK 129.35 per share. At the end of the year, Fabège had 42,394 shareholders. Swedish ownership totalled 59.3 per cent.

Dividend policy

Fabège aims to pay a dividend to its shareholders comprising the part of the company's profit that is not required for the consolidation or development of the business. Under current market conditions, this means that the dividend is expected to sustainably account for at least 50 per cent of profit from continuous property management and realised gains from the sale of properties after tax. The Board of Directors' proposes a dividend of SEK 3.60 per share for 2020 to the Annual General Meeting, to be paid on two occasions in April and October in the amount of SEK 1.80 per share on each occasion. The total proposed dividend amount is SEK 1,059m, which corresponds to an increase of 12.5 per cent.

Acquisition and transfer of treasury shares

The 2020 AGM renewed the authorisation of the Board to buy back and transfer shares in the company for the period extending up until the next AGM. Share buybacks are subject to a limit of 10 per cent of the total number of shares outstanding at any time. In 2020, 4,577,402 shares were repurchased at an average price of SEK 118.16/share corresponding to 1.4 per cent of shares outstanding. In February 2021, Fabège restarted buying back its own shares.

Shares and share capital

The share capital at year-end was SEK 5,097m (5,097), represented by 330,783,144 shares (330,783,144). All shares carry the same voting rights and entitle the holder to the same share of the company's capital. The quotient value amounts to SEK 15.41 per share.

Owners

At 31 December 2020, Fabège had 42,394 known (40,360) shareholders. The 15 largest owners jointly controlled 44.5 per cent of the total number of shares outstanding.

Largest shareholders, 31/12/2020	Number of shares ¹⁾	Proportion of capital and votes, %
Erik Paulsson and companies	50,858,718	15.6
BlackRock	15,745,399	4.8
AMF Försäkringar & Fonder	9,511,098	2.9
Handelsbanken Fonder	8,559,614	2.6
Vanguard	8,546,787	2.6
Länsförsäkringar fonder	7,485,093	2.3
Mats Qviberg and family	7,106,054	2.2
ENA City AB	6,240,000	2.0
Fourth Swedish National Pension Fund	5,534,743	1.7
Norges Bank	5,482,722	1.7
BMO Global Asset Management	4,403,288	1.3
Schroders	4,376,841	1.3
Folksam	4,075,892	1.2
Swedbank Robur Fonder	3,927,263	1.2
AFA Försäkring	3,744,298	1.1
Total 15 largest shareholders	145,817,810	44.5
Other	184,965,334	55.5
Total number of shares outstanding	326,205,742	98.6
Treasury shares	4,577,402	1.4
Total number of registered shares	330,783,144	100.0

¹⁾ Monitor av Modular Finance AB. Compiled and processed data from various sources, including Euroclear, Morningstar, Finansinspektionen and Nasdaq.

Share history

Year		Change in number of shares	Total number of shares	Share capital, SEK	Quotient value
2018	Split 2:1	165,391,572	330,783,144	5,097,368,249	15.41
2011–2017			165,391,572	5,097,368,249	30.82
2010	Cancellation of repurchased shares	–3,929,400	165,391,572	5,097,368,249	30.82
2009	Conversion of debenture loan	9,418	169,320,972	5,096,558,087	30.1
2008	Conversion of debenture loan	3,306	169,311,554	5,096,274,606	30.1
	Cancellation of repurchased shares	–9,150,673	169,308,248		
2007	Split 2:1	89,223,081	178,458,921	5,086,079,249	28.5
	Conversion of debenture loan	25,763			
	Klövern AB redemption offer	–5,948,205			
	Cancellation of repurchased shares	–5,441,100			
2006	Conversion of debenture loan	62,435	100,599,382	5,029,969,100	50
	New share issue in connection with purchase of Tornet AB	4,381,376			
2005	Conversion of debenture loan	3,176	96,155,571	4,807,778,550	50



Additional information:

Scan the QR code or visit
www.fabège.se/en/investors/

Five-year summary

	2020	2019	2018	2017	2016
PROFIT AND LOSS ACCOUNTS, SEKm					
Rental income	2,806	2,856	2,517	2,280	2,105
Net operating income	2,112	2,144	1,875	1,680	1,507
Realised changes in value/Gain from property sales	49	0	153	0	491
Unrealised changes in value, properties	2,715	5,743	7,685	6,095	7,614
Profit/loss from property management	1,474	1,532	1,246	992	471
Profit/loss before tax	4,007	7,034	9,103	7,351	8,680
Profit/loss after tax	3,167	6,006	7,699	5,632	7,107
BALANCE SHEETS, SEKm					
Properties	76,648	74,250	67,634	57,889	47,842
Right-of-use asset, leasehold	897	942	—	—	—
Other property, plant and equipment	15	6	3	4	2
Derivatives	20	58	—	—	—
Non-current financial assets	1,108	810	429	342	516
Current assets	350	318	622	647	1,687
Short-term investments	108	134	127	153	114
Cash and cash equivalents	20	24	15	349	62
Shareholders' equity	41,542	40,068	34,964	28,012	23,002
Provisions	8,288	7,613	6,547	5,221	3,486
Interest-bearing liabilities	26,669	26,414	26,275	24,841	21,978
Lease liability	897	942	—	—	—
Derivatives	617	426	132	291	559
Non-interest-bearing liabilities	970	1,079	912	1,019	1,198
Total assets	79,166	76,542	68,830	59,384	50,223
Key performance indicators¹⁾					
Surplus ratio, %	75	75	74	74	72
Interest coverage ratio, multiple	4.3	4.4	3.7	3.2	2.7
Equity/assets ratio, %	52	52	51	47	46
Debt ratio, multiple	13.2	12.8	14.6	15.5	15.3
Debt/equity ratio, multiple	0.6	0.7	0.8	0.9	1
Loan-to-value ratio, properties, %	35	36	39	43	46
Return on equity, %	7.8	16	24.5	22.1	36.1
Average interest rate on interest-bearing liabilities, %	1.67	1.72	1.55	2.2	2.64
Total return on properties	6.6	11.5	16.3	15.0	22.4
Property acquisitions and investments in existing properties, SEKm	1,854	2,556	3,714	4,092	3,133
Property sales, selling price, SEKm	3,541	1,701	1,847	140	3,656
Average no. of employees	180	172	163	149	143
Data per share, SEK¹⁾					
Earnings	9.65	18.16	23.28	17.03	21.49
Shareholders' equity	127	121	106	85	70
Cash flow from operating activities	4.11	6.1	2.95	2.37	2.35
Dividend ²⁾	3.6	3.2	2.65	2.25	2
Yield, %	2.8	2.0	2.2	2.6	2.7
Share price at year-end ³⁾	129.35	159.18	118.2	87.3	74.5
No. of shares outstanding at year-end before dilution, million	326.2	330.8	330.8	165.4	165.4
No. of shares outstanding at year-end after dilution, million	326.2	330.8	330.8	165.4	165.4

¹⁾ KPIs based on the average number of shares, shareholders' equity, capital employed and interest-bearing liabilities have been calculated on a weighted average basis. Adjustment following 2:1 share split.

²⁾ Cash dividend for 2020 as proposed.

³⁾ Last paid.

Reconciliation of key performance indicators

The key performance indicators that are not according to ESMA are industry-specific KPIs and those of interest to analysts, stakeholders and investors.

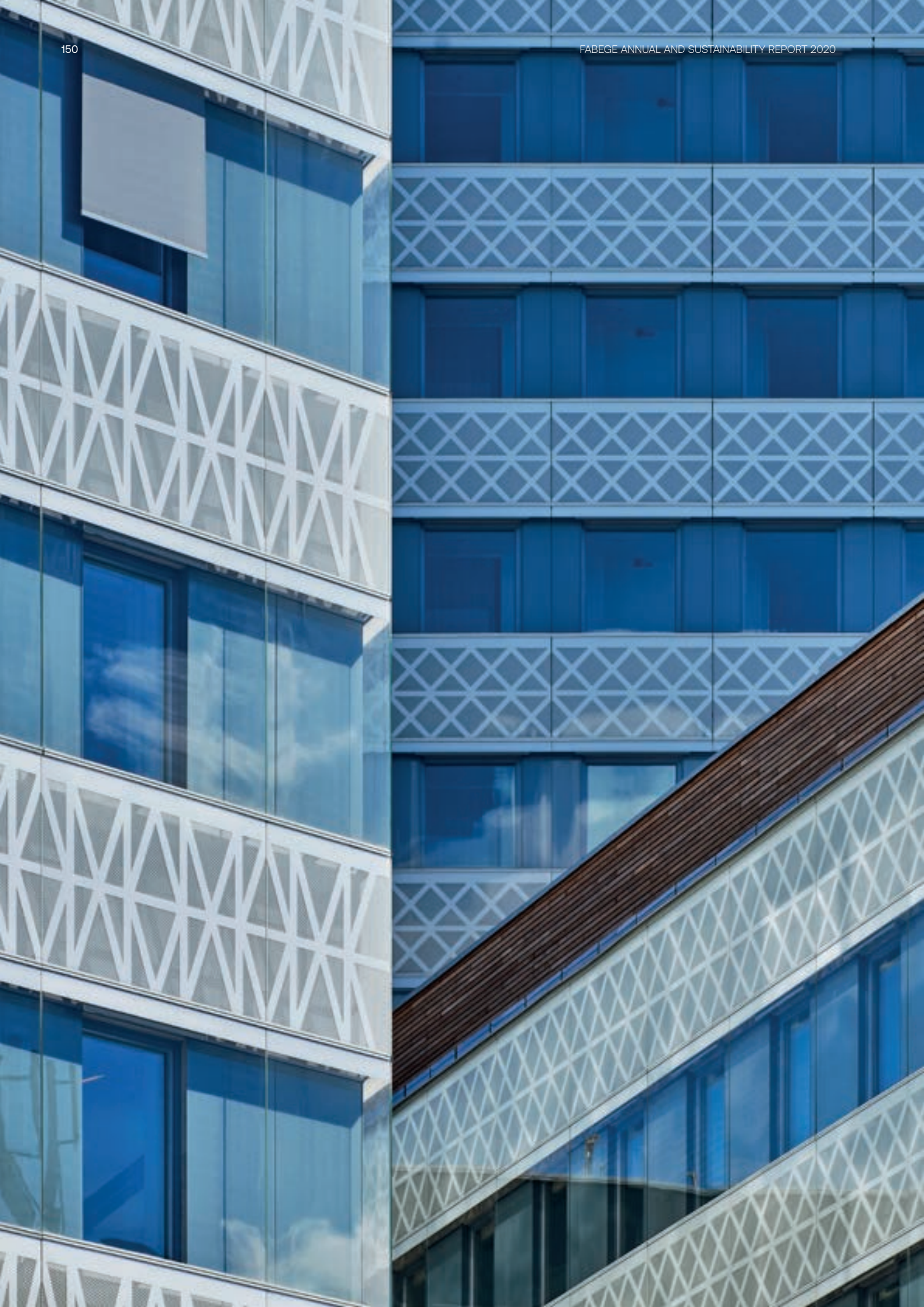
	2020	2019
Return on equity		
Profit/loss for the period, SEKm	3,167	6,006
Average capital, SEKm	40,805	37,516
Return on equity, %	7.8	16
Equity/assets ratio		
Shareholders' equity, SEKm	41,542	40,068
Total assets, SEKm	79,166	76,542
Equity/assets ratio, %	52	52
Loan-to-value ratio, properties		
Interest-bearing liabilities, SEKm	26,669	26,414
Carrying amount, properties, SEKm	76,648	74,250
Loan-to-value ratio, properties, %	35	36
Debt ratio		
Net operating income, SEKm	2,112	2,144
Central administration, SEKm	-93	-85
Total, SEKm	2,019	2,059
Interest-bearing liabilities, SEKm	26,669	26,414
Debt ratio, multiple	13.2	12.8
Interest coverage ratio		
Net operating income, SEKm	2,112	2,144
Ground rent, SEKm	-30	-28
Central administration, SEKm	-93	-85
Total, SEKm	1,989	2,031
Net interest expense, SEKm	-462	-465
Interest coverage ratio, multiple	4.3	4.4
Debt/equity ratio		
Interest-bearing liabilities, SEKm	26,669	26,414
Shareholders' equity, SEKm	41,542	40,068
Debt/equity ratio, multiple	0.6	0.7
Total return on properties		
Net operating income, SEKm	2,112	2,144
Realised and unrealised changes in value, properties, SEKm	2,764	5,743
Market value incl. investments for the period, SEKm	73,933	68,678
Total return on properties, %	6.6	11.5

The following financial targets have been established by the Board of Directors:

- The target is to maintain a minimum equity/assets ratio of 35 per cent.
- The loan-to-value ratio is not to exceed 50 per cent.
- The debt ratio shall be a maximum of 13.
- The interest coverage ratio is to be at least 2.2.

	2020	2019
EPRA key performance indicators		
EPRA Earnings (prof. from prop. man. after tax paid), SEKm	1,285	1,324
EPRA Earnings (EPS), SEK/share	3.92	4.01
EPRA NRV (long-term net asset value), SEKm	50,427	47,867
EPRA NRV, SEK/share	155	145
EPRA NTA (long-term net asset value), SEKm	48,217	46,067
EPRA NTA, SEK/share	148	139
EPRA NDV (net asset value), SEKm	41,542	40,068
EPRA NDV, SEK/share	127	121
EPRA Vacancy rate, %	9	6
EPRA EPS		
Profit/loss from Property Management, SEKm	1,474	1,532
Deduction for tax depreciations, SEKm	-593	-567
Total, SEKm	881	965
Nominal tax, SEKm	189	207
Total EPRA profit/loss (earnings from property management less nominal tax), SEKm	1,474	1,325
Number of shares, million	328.3	330.8
EPRA EPS, SEK/share	3.92	4.01
EPRA NRV, EPRA NTA & EPRA NDV		
Shareholders' equity, SEKm	41,542	40,068
Reversal of fixed-income derivatives, SEKm	597	368
Reversal of deferred tax according to balance sheet, SEKm	8,288	7,431
EPRA NRV (long-term net asset value), SEKm	50,427	47,867
Number of shares, million	326.2	330.8
EPRA NRV (long-term net asset value), SEK/share	155	145
Deduction, fixed-income derivatives	-597	-368
Deduction of actual deferred tax, SEKm	-2,210	-1,800
EPRA NTA (long-term net asset value), SEKm	48,217	46,067
Number of shares, million	326.2	330.8
EPRA NTA (long-term net asset value), SEK/share	148	139
Deduction of deferred tax according to balance sheet after adjustment of estimated actual deferred tax, SEKm	-6,078	-5,631
EPRA NDV (short-term net asset value), SEKm	41,542	40,068
Number of shares, million	326.2	330.8
EPRA NDV (short-term net asset value), SEK/share	127	121
EPRA vacancy rate		
Estimated market value for vacant rents, SEKm	289	202
Annual rental value, entire portfolio	3,242	3,195
EPRA Vacancy rate, %	9	6
EPRA investments⁹⁾		
Acquisitions, SEKm	1,370	0
Investment in development and project properties, SEKm	1,353	1,544
Investment in investment properties, SEKm	501	1,012
Miscellaneous, SEKm	—	—
Total EPRA Investments, SEKm	3,224	2,556

⁹⁾No direct investments have occurred in joint ventures.



Definitions

The company presents certain financial performance measures in the Annual Report that are not defined according to IFRS. The company considers that these measures provide valuable supplementary information for investors and company management, as they enable an assessment and benchmarking of the company's presentation. Since not all companies calculate financial performance measures in the same way, these are not always comparable to measures used by other companies. These financial performance measures should not therefore be regarded as substitutes for measures defined according to IFRS. The following key performance indicators are not defined according to IFRS, unless otherwise stated.

Actual deferred tax Estimated actual deferred tax has been calculated at approximately 4 per cent based on a discount rate of 3 per cent. Furthermore, it has been assumed that loss carryforwards are realised over four years with a nominal tax rate of 21.4 per cent, which gives a net present value for deferred tax assets of 19.7 per cent. The calculation is also based on the property portfolio being realised over 50 years, with 10 per cent being sold directly with a nominal tax rate of 20.6 per cent and the remaining 90 per cent being sold indirectly via companies with a nominal tax rate amounting to 6 per cent, which gives a net present value for deferred tax liabilities of 4 per cent.

Cash flow from operating activities per share Cash flow from operating activities (after change in working capital), divided by the average number of shares outstanding.

Debt ratio Interest-bearing liabilities divided by rolling twelve-month net operating income less central administration.

Debt/equity ratio Interest-bearing liabilities divided by shareholders' equity.

Development properties¹⁾ Properties in which a conversion or extension is in progress or planned that has a significant impact on the property's net operating income. Net operating income is affected either directly by the project or by limitations on lettings prior to impending improvement work.

Earnings/profit per share Parent Company shareholders' share of profit after tax for the period divided by average number of shares outstanding during the period. Definition according to IFRS.

EPRA EPS Profit from property management less tax at a nominal rate attributable to profit from property management, divided by average number of shares. Taxable profit from property management is defined as profit from property management less such amounts as tax-deductible depreciation and remodelling.

EPRA NDV – NET DISPOSAL VALUE

Shareholders' equity according to balance sheet.

EPRA NRV – NET REINSTATEMENT VALUE

Shareholders' equity according to balance sheet following the reversal of fixed-income derivatives and deferred tax according to the balance sheet.

EPRA NTA – NET TANGIBLE ASSETS

Shareholders' equity according to balance sheet following the reversal of fixed-income derivatives and deferred tax according to the balance sheet. Adjusted for actual deferred tax instead of nominal deferred tax.

EPRA Vacancy rate Estimated market rent for vacant rents divided by the annual rental value for the entire property portfolio.

Equity/assets ratio Shareholders' equity divided by total assets.

Equity per share Parent Company shareholders' share of equity according to the balance sheet, divided by the number of shares at the end of the period.

Financial occupancy rate¹⁾ Lease value divided by rental value at the end of the period.

Interest coverage ratio Net operating income less central administration in relation to net interest items (interest expenses less interest income).

Investment properties¹⁾ Properties that are being actively managed on an ongoing basis.

Land and project properties¹⁾ Land and developable properties and properties in which a new build/complete redevelopment is in progress.

Lease value¹⁾ Stated as an annual value. Index-adjusted basic rent under leases plus rent supplements.

Loan-to-value ratio, properties Interest-bearing liabilities divided by the carrying amount of the properties at the end of the period.

Net lettings¹⁾ New lettings during the period less terminations to vacate.

Rental value¹⁾ Lease value plus estimated annual rent for vacant premises after a reasonable general renovation.

Retention rate¹⁾ The proportion of leases that are extended in relation to the proportion of cancellable leases.

Return on equity Profit for the period/year divided by average shareholders' equity. In interim reports, the return is converted into its annualised value without taking account of seasonal variations.

Return on invested capital in project portfolio¹⁾ Change in value of project and development properties, divided by invested capital (excluding initial value) in project and development properties during the period.

Surplus ratio¹⁾ Net operating income divided by rental income.

Total return on properties Net operating income for the period plus unrealised and realised changes in the value of properties divided by market value at start of period plus investments for the period.

Yield, share Dividend for the year divided by the share price at year-end.

¹⁾This KPI is operational and is not regarded as an alternative performance measure according to ESMA's guidelines.

Annual General Meeting and registration

The Annual General Meeting will be held at Filmstaden Scandinavia, Mall of Scandinavia, Råsta Strandväg 19 A Solna, on Thursday 25 March 2021 at 3 pm CET. Registration for the AGM begins at 2.15 pm CET. The meeting will be held live online and shareholders will be able to ask questions digitally via a chat function and vote by post.

Information regarding security measures in view of the coronavirus pandemic

To reduce the risk of spread of infection and to protect the security and health of our shareholders, Fabege is undertaking a number of precautionary measures in arrangements for the AGM. Under these measures, the company's Board of Directors, management and other employees will, for example, only attend to the extent necessary, and no drinks or other refreshments will be offered. On the basis of temporary legal requirements, the shareholders who will not be able to attend the meeting will be offered the chance to exercise their voting rights by means of voting in advance (postal voting). The meeting will be held live online and shareholders will be able to ask questions digitally via a chat function.

Registration

Shareholders wishing to participate in the AGM must firstly be registered in the share register maintained by Euroclear Sweden AB (formerly VPC AB) on Friday 17 March 2021, and secondly notify the company of their intention to participate, stating the names of any advisors they wish to invite, no later than 4 pm CET on Wednesday 19 March 2021.

Notice of attendance at the AGM is given in one of the following ways:

- By post: To Fabege AB (publ), 'Fabege's Annual General Meeting', c/o Euroclear Sweden AB, Box 191, 101 23 Stockholm
- By telephone: +46 (0)8-402 90 68
- Per e-mail: generalmeetingservice@euroclear.com
- Via the Euroclear website: <http://anmalan.vpc.se/euroclearproxy>

When registering, shareholders must state their name, personal ID or corporate registration number, address and telephone number, shareholding and the names of any advisors. Shareholders whose shares are held in the name of a trustee must temporarily reregister the shares in their own name at Euroclear Sweden AB to be entitled to participate in the AGM. Such reregistration must be completed no later than Friday 19 March 2021. For this to be possible, the shareholder must make such a request to their trustee well in advance of this date. If participation is to be based on a power of attorney, such a document, together with a registration certificate or another document proving authorisation to vote, must be submitted in connection with registration.

Postal voting

Under new temporary legal requirements, Fabege is able to arrange postal voting for the AGM. To reduce the risk of spread of infection, Fabege's Board of Directors has decided to offer this option, that is, any shareholder deciding not to attend the AGM in person may exercise their vote in advance. The Board recommends shareholders to use this option in order to minimise the number of participants attending in person in order to reduce the risk of spread of infection.

To vote by post, a special form must be used. The form is available on the company's website, www.fabege.com/AGM. Further information regarding the voting procedure is available on the website. Postal votes must be received by Euroclear Sweden AB by no later than 24 March 2021.

Postal voting is to some extent subject to the same rules as for in-person attendance. These rules require shareholders, firstly to be registered in the company's share register, and secondly to notify their intention to attend the meeting, and, if the shares are registered in the name of a trustee to have ensured that the shares are re-registered in their own name by no later than the date indicated above.

In the case of postal voting, shareholders may not attach special instructions or conditions to their postal vote. If any such are attached, the vote will be declared null and void.

In the case of postal voting via a representative, the shareholder must issue a written and dated power of attorney for the representative. If the shareholder is a legal entity, an appropriate registration certificate or other documents proving authorisation to vote, must be submitted in connection with registration.

Important dates in 2021

Annual General Meeting	25 March 2021
Record date for first dividend ¹⁾	29 March 2021
Payment date for first share dividend ¹⁾	1 April 2021
Record date for second dividend ¹⁾	29 September 2021
Payment date for second share dividend ¹⁾	4 October 2021
Interim report January–March 2021	26 April 2021
Interim report January–June 2021	9 July 2021
Interim report January–September 2021	20 October 2021

¹⁾Board of Directors' proposal to the 2021 AGM

Information to shareholders

Fabege publishes its Annual Report and interim reports in Swedish and English. All publications are available as PDF files on the company's website, www.fabege.com. Fabege sends annual reports by post to shareholders that have requested this. English Annual Report only available as PDF. All financial reports and press releases are available in Swedish and English on the company's website. Information is also provided via a subscription service on the company's website. In addition, the company's website provides current information about Fabege's share price. Fabege also provides quarterly presentations in connection with each interim report.

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