Task Force on Climate-related Financial Disclosures (TCFD)

During the year we 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. We will continue to work on identifying and evaluating climate-related risks. Find out more about our scenario analysis on our website at fabege.se/en/sustainability/climate-change-adaptation/scenario-analysis.

The work was based on TCFD's recommendations regarding climate-related risks and opportunities. We have 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 significant opportunities for companies like us that are highly ambitious in terms of their sustainability work.

Climate-related risks and opportunities

For a long time now, we have been working to reduce our 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 continuously 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 depending on the extent of the risk.

Transition risk

In the medium and long term, we can see a strong likelihood of tougher legal requirements having a knock-on effect on companies in the form of more stringent requirements, including in relation to measuring and reducing energy use and carbon emissions in operations, property management and projects. There is currently no price for carbon dioxide, but we expect this to 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, and also when it comes to more sustainable materials such as timber products. In the latter case, the cost increase is linked to the fact that demand for these materials is increasing all the time.

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.

Political decisions may also slow down progress towards more fossil-free energy use.

We are working constantly to satisfy requirements and expectations from customers and other stakeholders. Demand for sustainable and certified buildings has grown over the course of several years. 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 capital providers 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 impose enhanced requirements on our sustainability work. The system means that we need to raise the bar to meet our capital providers' expectations and gain access to green financing. The forthcoming requirements of the Corporate Sustainability Reporting Directive (CSRD) will also affect the extent of sustainability work and reporting.

Physical climate risks

Changes in weather patterns are already affecting our 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 mean large quantities of water collect more easily. This can in turn result in 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 risk of damage caused by

Task Force on Climate-related Financial Disclosures (TCFD) cont.

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. We have identified increased precipitation and flooding as one of the main potential risks through building-level climate resilience analyses.

Climate-related opportunities

Our 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 includes the 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 our operations and in society as a whole.

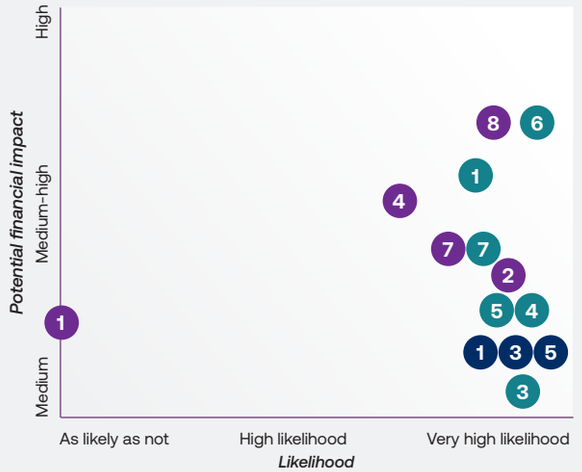
Environmentally certifying our properties and creating more sustainable buildings is an important strategic goal. Our aim in the short term is to meet customer demand. In the longer term we also want to be well prepared for new, tougher requirements that are likely to be introduced. We have had our climate target approved by the Science Based Targets initiative (SBTi), thereby supporting the UN climate agreement. Our goal is to achieve carbon neutral property management (Scopes 1 and 2) by 2030, and a 50 per cent reduction in Scope 3 emissions per GFA from the base year 2019. We see good opportunities to shift emissions from property management (Scopes 1 and 2), but it will be a challenge to cut emissions by half (Scope 3) in kg CO_2 per GFA compared with 2019 through life-cycle analysis of construction projects.

We are a relationship builder and enjoy close partnerships with municipalities in which we work together on urban development projects. We believe that good relationships do not just benefit us, but also society as a whole. All in all, we aim through our 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.

TCFD index

Governance	Strategy	Risk management	Indicators and targets
a) Board of Directors' overview of climate-related risks and opportunities. **Pages 50–60, 67**	a) Description of climate-related risks and opportunities that we have identified. **Pages 56, 78–79**	a) Description of the process of identifying and assessing climate-related risks. **Pages 50, 78–79**	a) Indicators to measure and control climate-related risks and opportunities. **Pages 29–32, 37–38, 41–42, 80**
b) Role of management in assessing and managing climate-related risks and opportunities. **Pages 67–68, 74**	b) Description of how the business, strategy and financial planning have been impacted. **Pages 26–32, 37–39, 56**	b) Description of processes to manage climate-related risks. **Pages 50, 56, 67–68, 78–79**	b) Reporting of Scope 1, 2 and 3 emissions according to Greenhouse Gas Protocol (GHG Protocol). **Page 30**
	c) Description of the organisation's strategic resilience and impact of various climate-related risks and opportunities. **Pages 56, 78–79**	c) Description of how the processes are integrated into the organisation's overall risk management. **Pages 50, 67–68**	c) Description of targets used to manage climate-related risks and opportunities and the outcome of these targets. **Pages 29–32, 41–42, 80**

Climate-related risks and opportunities



Transition risk

1. Increased carbon dioxide emissions
2. Political decisions in the field of energy that lead to higher energy prices or hamper development
4. Increased legal requirements regarding property development
7. Higher material and raw material costs
8. Shifting preferences among customers, municipalities and capital providers

Physical climate risks

1. Torrential rain and flooding
3. Temperature increases
5. Changes in geology

Climate-related opportunities

1. Reduced energy consumption in buildings
3. Higher proportion of self-produced energy
4. Lower carbon dioxide emissions
5. Growth in demand for certified properties
6. Tougher requirements regarding sustainable urban planning
7. Green financing reduces financing costs