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## Second Party Opinion

# Fabege's Green Financing Framework

June 4, 2025

**Location:** Sweden

**Sector:** Real Estate

## Alignment Summary

Aligned = ✓ Conceptually aligned = ○ Not aligned = ✗

✓ Green Bond Principles, ICMA, 2021 (with June 2022 Appendix 1)

✓ Green Loan Principles, LMA/LSTA/APLMA, 2025

See [Alignment Assessment](#) for more detail.

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**Medium  
green**

Activities that represent significant steps towards a low-carbon climate resilient future but will require further improvements to be long-term low-carbon climate resilient solutions.

Our [Shades of Green Analytical Approach](#) >

## Strengths

**Fabege has significantly cut down on its portfolio's energy use and has strengthened its energy reduction targets.** It has created an energy-efficient portfolio with low exposure to transition risk, allowing 99% of its issued debt to be labeled as green. Having an energy intensity target for the total portfolio will facilitate emissions reduction and help it achieve its target of climate neutral property management by 2030.

**Fabege has assessed its physical climate risks at the property level, using climate scenarios (including worst-case) for all investment properties.** We consider this to be best practice. In its property management and ongoing and future redevelopments, Fabege says that it will take the necessary measures to address identified climate risks.

## Weaknesses

No weaknesses to report.

## Areas to watch


**New construction is associated with high emissions.** Fabege aims to reduce emissions from its construction projects and has included an embodied emissions threshold in its framework criteria. However, the methodologies and knowledge needed to reduce such emissions are still evolving and significant reductions are needed to achieve climate-neutral newbuilds.

Shades of Green Projects Assessment Summary

Over the three years following issuance of the financing, Fabège expects to have allocated all proceeds to green buildings.

The issuer expects 90% of proceeds to be allocated to refinancing projects, while 10% of proceeds will be directed to financing new projects.

Based on the project category's Shades of Green detailed below, the expected allocation of proceeds, and considering the environmental ambitions reflected in Fabège's Green Financing Framework, we assess the framework as Medium green.

Green buildings	 Medium green
Construction of new buildings	
Existing buildings	
Major renovations	

## Issuer Sustainability Context

This section provides an analysis of the issuer's sustainability management and the embeddedness of the financing framework within its overall strategy.

## Company Description

Fabège AB (publ) is a Swedish real estate company focusing on letting and managing commercial premises (representing 84% of rental value) as well as on urban development. The business is concentrated in a small number of submarkets in the Stockholm region, the inner city, Hammarby Sjöstad, Arenastaden, Haga Norra, Solna Business Park, and Flemingsberg. Within these areas, Fabège owns 100 properties. At the end of 2024, its property portfolio was valued at about Swedish krona (SEK) 78.9 billion (about US\$7.9 billion) with a total lettable area of 1,300,000 square meters.

## Material Sustainability Factors

### Climate transition risk

Increased energy use in buildings has been a major contributor to climate change, representing about one-third of global greenhouse gas emissions on a final-energy-use basis, according to the International Energy Agency (IEA). Building occupiers and operators could face higher energy bills as power prices rise, and higher capital expenditure as upgrades are required to accommodate the energy transition and meet more stringent efficiency standards. In addition, low-carbon properties can achieve higher cost efficiencies or attract premium rents, enhancing their value. Embodied emissions from building materials are a major source of emissions when looking at the carbon footprint of a building over its lifecycle. Sweden, as a member of the EU, is implementing European rules on buildings' energy efficiency, and has more advanced regulations on embodied emissions than most European peers.

### Physical climate risks

The geographically fixed nature of real estate assets exposes them to physical climate risks. These could include acute risks—such as wildfires, floods, and storms—which are becoming more frequent and severe; and chronic risks such as long-term changes in temperature, precipitation patterns, and sea levels. For the Nordic building sector, the most severe physical impacts will likely come from increased flooding, greater snow loads, urban overflow, and a higher frequency of extreme weather. Acute and chronic risks could damage properties or put tenants' health and safety at risk, as well as require investment to manage the potential effects of these risks or, in severe cases, relocate tenants. While the overall impact is moderate—given that the type, number, and magnitude of these risks vary by region—highly exposed regions may be subject to material physical climate risk exposure. Most participants have some insurance coverage, but it could become more difficult to secure insurance for the most exposed assets.

### Customer health and safety

Properties can adversely affect tenant health and safety, especially office and residential properties, since people spend most of their time indoors. Although the probability of major risks, such as fire or failure of a property's structural integrity, is low, the impact could be significant, often resulting in serious injury or death, and tending to be more severe in older properties and regions with less stringent safety codes. The long-term nature of leases, as well as the diversity of tenants and assets, largely mitigates temporary disruptions to performance, in our view.

## Issuer And Context Analysis

**Eligible projects under the issuer's green buildings criteria address the climate transition and physical risks, the most important sustainability factors for Fabege.** Investments in green buildings reduce an entity's exposure to transition risks. Physical climate risks are also relevant because buildings are highly exposed to the effects of climate change. Overall responsibility for Fabege's risk management rests with its board of directors, while operative work has been delegated to the CEO and management. According to Fabege, risk management is integrated into its day-to-day operations and embedded into its various processes.

**Fabège has set targets for reducing all relevant emissions by 2030, including climate-neutral property management and a 50% reduction in scope 3 emissions per square meter built.** It has signed Fossil Free Sweden's roadmaps for both the heating sector and the construction and civil engineering sector. It has developed what we view as appropriate policies and routines that align with its sustainability targets. Historically, Fabège has been on track or has achieved targets related to the energy intensity of its portfolio and has reached the stage where 99% of its financing goes to green projects. We view as positive that Fabège sets environmental criteria for all its development projects, such as calculating lifecycle emissions, certifying all new developments as BREEAM Excellent, and ensuring that all materials are accepted by Byggarubedömningen.

**We view as a strength that Fabège has historically and continuously cut down on its energy use, and has set increasingly ambitious energy reduction targets.** Having an energy intensity target for the total portfolio will help it achieve climate-neutral property management by 2030. Reducing energy use will lead to emissions reduction from the generation of electricity and heat. In 2019, the company reduced its energy use by half compared to 2005. Building on this, it initially set a goal of reducing its average energy use to 77 kilowatt hours (kWh) per square meter. But after surpassing this target in 2022, Fabège raised its ambition to 70 kWh per square meter by 2025, which it met in 2024.

**Fabège's target of a 50% reduction in scope 3 emissions (per square meter built) addresses construction-related emissions, which accounted for over 80% of its total emissions in 2024.** To reduce its environmental impact, Fabège considers material choices and methods early in the process. It is affiliated with the roadmap for the building and construction sector and the Klimatarena Stockholm platform to help accelerate the climate transition in Stockholm. A key part of Fabège's strategy to reduce emissions from construction projects is to work on circularity; it has adopted a circularity index target for major refurbishments of 20%, achieving 6% in 2024. The circularity index represents the portion of purchased materials that comes from recycled and reused materials. The strategy includes goals for recycling as well as routines and methods for how to achieve the goal. To be able to facilitate and make use of reused materials, Fabège participates in multiple partnerships and initiatives. How materials can be dismantled, reused, and recycled are starting to form a part of Fabège's development projects—for example, it has a recycling hub that helps it store and recondition recycled and recovered materials. We view as positive that Fabège has a target to also reduce absolute scope 3 emissions, including from sources such as tenants' electricity, and waste.

**Fabège has assessed physical climate risks using what we consider to be best practice—assessing risks at the property level using climate scenarios, including worst-case, for all investment properties.** Its analysis has identified increased precipitation and flooding as among the greatest potential future risks. In property management and ongoing and future redevelopments, Fabège states that it takes the necessary measures to address identified climate risks.

# Alignment Assessment

This section provides an analysis of the framework's alignment to Green Bond and Loan principles.

## Alignment Summary

Aligned = ✓ Conceptually aligned = ○ Not aligned = ✗

✓ Green Bond Principles, ICMA, 2021 (with June 2022 Appendix 1)

✓ Green Loan Principles, LMA/LSTA/APLMA, 2025

### ✓ Use of proceeds

We assess all the framework's green project categories as having a green shade, and we note that the issuer commits to allocating the net proceeds issued under the framework exclusively to eligible green projects. Please refer to the Analysis Of Eligible Projects section for more information on our analysis of the environmental benefits of the expected use of proceeds.

### ✓ Process for project evaluation and selection

Fabège has established a green business council (GBC) to ensure that proceeds from its green finance instruments are allocated to assets that align with the eligible asset categories outlined in its framework. The GBC, comprising the Chief Financial Officer, the Head of Sustainability, and a treasury department representative, is responsible for coordinating, validating, and reviewing the selection of eligible green assets. The GBC periodically reviews information on ongoing and planned developments and existing properties to ensure compliance with the eligible green asset categories. The GBC evaluates overall environmental impacts including lifecycle considerations, potential rebound effects, resilience considerations, and adherence to the eligible asset category criteria. The assets must also comply with applicable national laws and regulations, as well as policies and guidelines at Fabège such as its Sustainability and Environmental Policy, Procurement and Purchasing Policy, and Code of Conduct to ensure that environmental and social risks are addressed. The GBC updates a list of green assets managed by the treasury department, ensuring that any asset that no longer meets the eligibility criteria is removed.

### ✓ Management of proceeds

Fabège's green portfolio will track the allocation of net proceeds from green finance instruments to eligible green assets. The green portfolio ensures that the proceeds exclusively finance eligible green assets or are used to repay green financing. If an eligible green asset no longer meets the criteria or is divested, the corresponding funds will be re-credited to the green portfolio. The treasury department will record any changes to the green portfolio, ensuring that the total funds allocated to a specific eligible green asset, from one or multiple green financing sources, do not exceed its value. While the green portfolio maintains a positive balance, net proceeds may be invested or utilized by the treasury in alignment with Fabège's sustainability policy and investment criteria. A facility cannot be labeled green if it contains both green and non-green tranches; the green designation applies solely to those tranches that adhere to the four core components of the Green Loan Principles.

### ✓ Reporting

Fabège publishes an annual investor report on its website, including allocation and impact reporting. This includes allocation metrics such as the sum of outstanding green bonds and the sum of the green portfolio balance, the share of financing versus refinancing, and impact indicators such as energy savings, certification data, taxonomy alignment, and greenhouse gas reductions. Reporting on commercial paper (CP) can be difficult for issuers because of CP's short tenure. To mitigate such risks, in addition to the yearly reporting, the issuer will publish a quarterly statement on its website disclosing the total amount of green finance instruments outstanding and the total value of green assets. All CP issuance is planned a minimum of two days ahead and is always checked against green financing availability.

# Analysis Of Eligible Projects

This section provides details of our analysis of eligible projects, based on their environmental benefits and risks, using the "[Analytical Approach: Shades Of Green Assessments](#)".

## Overall Shades of Green assessment

Based on the project category shades of green detailed below, the expected allocation of proceeds, and considering the environmental ambitions reflected in Fabège's Green Financing Framework, we assess the framework as Medium green.

Medium green

Activities that represent significant steps towards a low-carbon climate resilient future but will require further improvements to be long-term low-carbon climate resilient solutions.

[Our Shades of Green Analytical Approach >](#)

## Green project categories

Green buildings	
Assessment	Description
<div>Medium green</div>	<div><div><div>Construction of new buildings:</div><ul style="list-style-type: none"><li>Primary energy demand is, or will be, at least 20% lower than the threshold set for nearly zero-energy building (NZEB) requirements in national measures</li><li>The building will undergo a screening of material physical climate risks and a vulnerability assessment</li><li>Upon completion, the building will undergo testing for airtightness and thermal integrity</li><li>The lifecycle Global Warming Potential (GWP) allows for a maximum amount of embodied carbon of 300 kg CO2e /GFA</li><li>Ongoing development or recently completed buildings have or will receive (i) a design stage certification or (ii) a post-construction certification or (iii) an in-use certification in any of the following building certification schemes at the defined threshold or better:<ul style="list-style-type: none"><li>BREEAM-SE "Very good", Miljöbyggnad "Silver", Svanen, or an equivalent environmental scheme</li></ul></li></ul></div><div><div>Existing buildings:</div><ul style="list-style-type: none"><li>The building has an Energy Performance Certificate (EPC) demonstrating class A or the building is within the top 15% of the national or regional building stock expressed as Primary Energy Demand (PED)</li><li>The building has undergone a screening of material physical climate risks and a vulnerability assessment</li></ul></div></div>

- Existing buildings have an environmental certification in any of the following building certification schemes at the defined threshold or better:
  - BREEAM-SE “Very good” or BREEAM In-use “Very Good”, Miljöbyggnad “Silver”, Miljöbyggnad iDrift “Silver”, Svanen, or an equivalent environmental scheme













Renovation of existing buildings:

- Renovation of an existing building that either leads to a reduction of PED of at least 30%, or where the building meets the applicable requirements for “major renovations”

**Analytical considerations**

- The IEA emphasizes that reaching net-zero emissions in buildings demands major energy efficiency strides and a fossil fuel phase-out. It says that all properties need to achieve high energy performance and should also cut emissions from building materials and construction. Addressing physical climate risks is also key to strengthening climate resilience across all buildings.
- Fabège anticipates that 90% of the framework's proceeds will be allocated to existing buildings, and the rest to new buildings. We assign a shade of Medium green to the existing buildings to reflect the inclusion of energy-use and efficiency thresholds, physical climate risk assessments, and green building certifications. In our view, the issuer's ambition that its existing buildings are in the top 15% of the national or regional building stock ensures that energy efficient buildings are financed. Such buildings have a low exposure to transition risk.
- Given the fixed nature of buildings, improving their resilience to physical climate risk is key to the transition to a low carbon real estate sector. All Fabège's buildings and current projects have been screened for physical climate risks using relevant scenarios, and Fabège will also do this for future projects.
- The most material source of climate impacts for new construction projects is embodied emissions in the materials used. It is therefore positive that the criteria for these buildings include embodied emissions thresholds, which supports our Medium green shade. We believe the chosen threshold represents significant steps toward a low-carbon climate-resilient future. That said, while these efforts will help decrease the lifecycle emissions of Fabège's development projects, they are not sufficient to render new construction carbon neutral. For planned projects, Fabège has implemented multiple actions for projects to be able to meet its set thresholds, such as using climate-improved concrete, replacing certain materials, optimizing material usage, and using recycled components. The focus on embodied emissions is also a part of the issuer's overall emissions reduction strategy, where by 2030 it aims to have halved the embodied carbon from its projects, compared to 2019.
- Fabège aims for all new buildings to be certified according to BREEAM Excellent, which it typically can achieve. However, there are some exceptional cases where buildings do not reach Excellent, which is why the level chosen for the framework is BREEAM Very Good. Green building certifications can somewhat mitigate the climate and environmental impacts associated with the construction and operations of buildings. This is because they cover a broad set of issues such as energy efficiency, biodiversity, and waste and water management. The robustness and ambition of the certifications depend on the version used and the points obtained during the process.
- Building on greenfield land presents biodiversity and climate risks. The company has confirmed that its ongoing and upcoming projects will be in previously developed areas, thereby limiting the biodiversity risks associated with the eligible activities. Additionally, Fabège has set an internal net gain target for biodiversity that aims to enhance habitat units around its properties via features such as green roofs and walls to provide habitats for various species and improve air quality, and by developing green spaces that support local flora and fauna. Also, by increasing reuse and resource efficiency, Fabège strives to reduce the need to extract resources, which lessens the pressure on ecosystems and helps preserve them. This work is guided by adherence to BREEAM-SE criteria, which sets biodiversity requirements as part of the certification process.
- The issuer confirms that the framework excludes buildings with access to direct fossil-fuel heating or cooling.

S&P Global Ratings' Shades of Green

Assessments					
 <b>Dark green</b>	 <b>Medium green</b>	 <b>Light green</b>	 <b>Yellow</b>	 <b>Orange</b>	 <b>Red</b>
Description					
Activities that correspond to the long-term vision of an LCCR future.	Activities that represent significant steps toward an LCCR future but will require further improvements to be long-term LCCR solutions.	Activities representing transition steps in the near-term that avoid emissions lock-in but do not represent long-term LCCR solutions.	Activities that do not have a material impact on the transition to an LCCR future, or, Activities that have some potential inconsistency with the transition to an LCCR future, albeit tempered by existing transition measures.	Activities that are not currently consistent with the transition to an LCCR future. These include activities with moderate potential for emissions lock-in and risk of stranded assets.	Activities that are inconsistent with, and likely to impede, the transition required to achieve the long-term LCCR future. These activities have the highest emissions intensity, with the most potential for emissions lock-in and risk of stranded assets.
Example projects					
 Solar power plants	 Energy efficient buildings	 Hybrid road vehicles	 Health care services	 Conventional steel production	 New oil exploration

Note: For us to consider use of proceeds aligned with ICMA Principles for a green project, we require project categories directly funded by the financing to be assigned one of the three green Shades.

LCCR--Low-carbon climate resilient. An LCCR future is a future aligned with the Paris Agreement; where the global average temperature increase is held below 2 degrees Celsius (2 C), with efforts to limit it to 1.5 C, above pre-industrial levels, while building resilience to the adverse impact of climate change and achieving sustainable outcomes across both climate and non-climate environmental objectives. Long term and near term--For the purpose of this analysis, we consider the long term to be beyond the middle of the 21st century and the near term to be within the next decade. Emissions lock-in--Where an activity delays or prevents the transition to low-carbon alternatives by perpetuating assets or processes (often fossil fuel use and its corresponding greenhouse gas emissions) that are not aligned with, or cannot adapt to, an LCCR future. Stranded assets--Assets that have suffered from unanticipated or premature write-downs, devaluations, or conversion to liabilities (as defined by the University of Oxford).



# Mapping To The U.N.'s Sustainable Development Goals

Where the financing documentation references the Sustainable Development Goals (SDGs), we consider which SDGs it contributes to. We compare the activities funded by the financing to the International Capital Markets Association (ICMA) SDG mapping and outline the intended linkages within our SPO analysis. Our assessment of SDG mapping does not affect our alignment opinion.

This framework intends to contribute to the following SDGs:

Use of proceeds	SDGs		
Green buildings			
	7. Affordable and clean energy	11. Sustainable cities and communities*	12. Responsible consumption and production

\*The eligible project categories link to these SDGs in the ICMA mapping.

## Related Research

- [Analytical Approach: Second Party Opinions](#), March 6, 2025
- [FAQ: Applying Our Integrated Analytical Approach For Second Party Opinions](#), March 6, 2025
- [Analytical Approach: Shades Of Green Assessments](#), July 27, 2023
- [Analytical Approach: EU Taxonomy Assessment](#), Oct. 31, 2024
- [Analytical Approach: European Green Bond External Reviews](#), Oct. 31, 2024
- [FAQ: Applying Our Analytical Approach For European Green Bond External Reviews](#), Oct. 31, 2024

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## Second Party Opinion: Fabege's Green Financing Framework

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