

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.

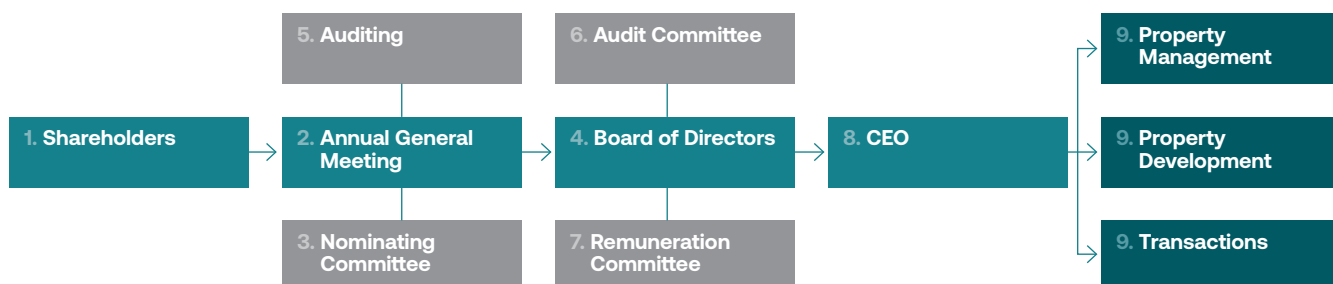
As Chairman of the Board, I am very much looking forward to being part of Fabege's continuing development and value creation. Although it is hard to speculate on how the pandemic will affect the future office market, it will likely involve a change in needs relating to the work environment. It could 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 performance 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. Fabege'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. Fabege'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 Fabege'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 Fabege 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 Fabege'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 Fabege 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. Fabege's Chief Financial Officer, Åsa Bergström, acts as the Board's secretary.

Fabege'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 Fabege, directly or indirectly. Fabege'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 re-leased 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 risks. 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 Fabège

Born: 1959

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

External appointments

Member of the boards of, Nordstjärnan 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 Fabège 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 Arcella 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 Liljegren, 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 Wihlborgs 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 Bilia 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 Fabege 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