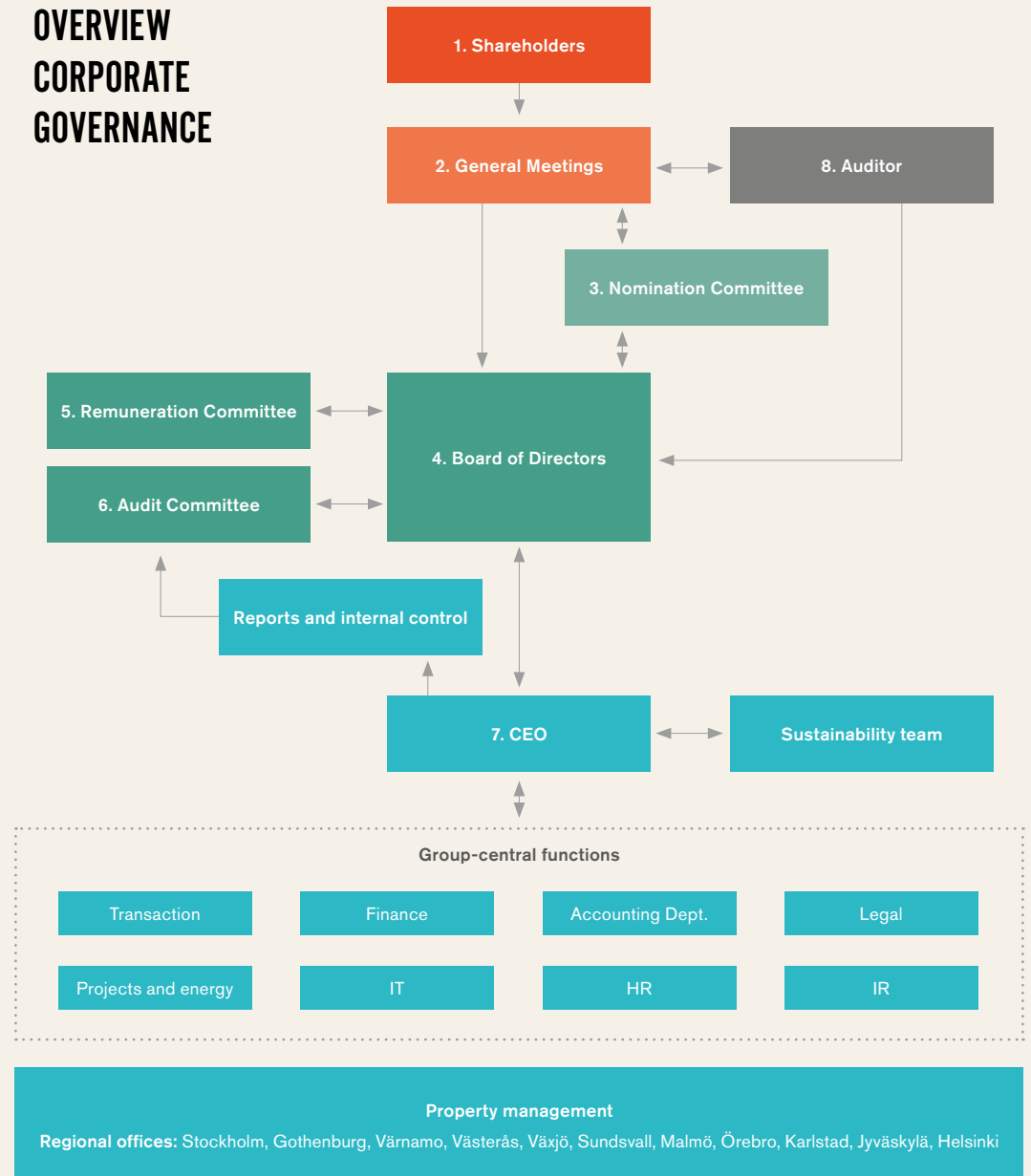


CORPORATE GOVERNANCE REPORT 2023

Corporate governance at Nyfosa is based on Swedish law and good practice in the securities market as well as internal rules and guidelines. The Company also follows the Swedish Corporate Governance Code (the “Code”). This corporate governance report describes the governance of Nyfosa in 2023 unless otherwise stated.

A high level of corporate governance entails ensuring that Nyfosa conducts its operations sustainably, responsibly and as efficiently as possible. The overall goal is to generate attractive returns for shareholders to thus meet the requirements the owners have for their invested capital. The Board of Directors is responsible for the organization and the administration of the company’s affairs. The CEO is responsible for ensuring that ongoing management of the company follows the Board’s guidelines and instructions. The CEO, in dialogue with the Chairman of the Board, also compiles an agenda for Board meetings and is responsible for providing information and decision data to the Board.

OVERVIEW CORPORATE GOVERNANCE



1 Shareholders

The Nyfosa share is listed on the Large Cap segment of Nasdaq Stockholm. The company's largest shareholder is AB Sagax with a holding and voting share of 23.3 percent. The remaining 76.7 percent is owned by institutional investors and private individuals in Sweden and abroad. None of these other shareholders, directly or indirectly, hold shares that represent one tenth or more of the votes for all shares in the company.

According to Nyfosa's Articles of Association, the company is also permitted to issue Class D ordinary shares and preference shares. No such shares had been issued as of December 31, 2023. More information about Nyfosa shares and major shareholders is provided on pages 41–42 of this Annual Report.

2 General Meetings

The General Meeting is Nyfosa's highest decision-making body, at which the shareholders exercise their voting rights. The Swedish Companies Act (2005:551) and the Articles of Association prescribe how notice of the Annual General Meeting (AGM) and Extraordinary General Meetings are to take place and who is entitled to participate in and vote at such Meetings. In addition to laws on a shareholder's right to participate in a General Meeting, Nyfosa's Articles of Association stipulate that shareholders must notify their intention to attend the General Meeting not later than the date indicated in the notice of the Meeting, and also give notification if they intend to be accompanied by an assistant. There are no restrictions on the number of votes that each shareholder may cast at the Meeting. General Meetings are held in Nacka or Stockholm. The Board is authorized to collect power of attorney according to the procedures stated in Chapter 7,

Section 4, paragraph 2 of the Companies Act. The Board is also permitted, ahead of a General Meeting, to decide that shareholders are to exercise their voting rights by post before the Meeting. The company does not apply any special arrangements to the function of the General Meeting, either based on the provisions of the Articles of Association or any shareholders' agreements known to the company. Resolutions adopted at a General Meeting are announced after the Meeting in a press release, and the minutes from the Meeting are published on the company's website.

2023 Annual General Meeting

Several measures were approved on April 25, 2023, including the Board's proposed appropriation of profit, discharging the Board members and CEO from liability for the 2022 financial year, elections for the Board and auditor, remuneration of the Board and auditors and introducing a long-term incentive program for employees at Nyfosa ("LTIP 2023"). The Meeting also authorized the Board to resolve to issue new Class A and Class D ordinary shares, as well as preference shares, on one or several occasions during the period up to the next AGM, to the extent that such a new issue can be made without amending the Articles of Association. The Meeting also resolved on a dividend for Class D ordinary shares and to authorize the Board to resolve on the acquisition of class A ordinary shares. For more information, refer to the company's website and the report from the AGM.

3 Nomination Committee

The AGM of Nyfosa on May 9, 2019 adopted instructions for the Nomination Committee's composition and work within the company. According to these instructions, which apply until further notice, the Nomination Committee is to comprise the Chairman of the Board and four members appointed by the four largest shareholders in the company in terms of voting rights on July 31. If any of the four largest shareholders in terms of voting rights does not exercise their right to appoint a member, this right to appoint such a committee member is transferred to the next largest shareholder who is not already

entitled to appoint a member of the Nomination Committee. The chairman of the Nomination Committee is to be the member representing the largest shareholder in terms of voting rights, unless the members agree otherwise. The composition of the Nomination Committee is to be announced not later than six months before the AGM. If a Committee member leaves or major changes take place in the ownership structure, the composition of the Nomination Committee may change to reflect this. Such a change will then be announced as soon as possible. The task of the Nomination Committee is to prepare proposals on the election of Board members and auditors, remuneration of the Board members and auditors, the election of the Chairman of the Meeting and any necessary amendments to the instructions for the Nomination Committee. For more information about the current instructions for the Nomination Committee, visit the company's website.

The Nomination Committee ahead of the 2024 AGM comprised Johannes Wingborg, representing Länsförsäkringar Fondförvaltning (Chairman of the Nomination Committee); David Mindus, representing Sagax; Lennart Francke, representing Swedbank Robur Funds; Tobias Kaj, representing Lannebo Fonder; and Johan Ericsson, Board Chairman of Nyfosa.

The Nomination Committee applied the Code's rule 4.1 on diversity policy for its work. The aim of the diversity policy is to satisfy the importance of sufficient diversity on the Board of Directors in respect of gender, age and nationality, as well as experience, professional background and lines of business. The Nomination Committee has proposed to the AGM to be held on April 23, 2024 that the Board comprise two women and four men, entailing that the share of women is less than the targets set by the Swedish Corporate Governance Board. The selection of Board candidates has taken place without discrimination regarding, for example, age, sexual orientation, gender or religious affiliation. The Nomination Committee is of the opinion that the proposed Board, with regard to Nyfosa's operations, development stage and other conditions, has an appropriate composition, characterized by diversity and breadth regarding the director's competence, experience and background. Thus, the Nomination Committee considers that

NYFOSA'S 2024 ANNUAL GENERAL MEETING

Nyfosa's 2024 AGM will be held on April 23, 2024. More information about the AGM (including instructions on how to notify attendance) is available at www.nyfosa.se.

the proposal meets the Code's requirements for diversity and breadth. Additional information is available in the Nomination Committee's reasoned statement regarding the Nomination Committee's proposals to the 2024 AGM, published on the company's website.

4 Board of Directors

The Board is the company's highest administrative body, and its duties are regulated by the Swedish Companies Act, the Articles of Association and the Code. The Board of Directors is responsible for the company's organization and the administration of the company's affairs. The Board is also charged with monitoring financial and sustainability developments, ensuring the quality of financial reporting and the internal control and evaluating the operations based on the

established objectives and guidelines adopted by the Board. Furthermore, the Board decides on significant investments and major changes in the Group's organization and operations. This work is based on rules of procedure adopted by the Board every year that regulate the distribution of work and responsibilities between the Board members and CEO. The Board also adopts a delegation of authority and instructions for financial reporting, the CEO and the Board's Committees, and decides on a number of general policies for the company's operations. These include an insider policy, finance policy, IT policy, information security policy, sustainability policy, communication policy and policy on related-party transactions. All of these internal governing documents are reviewed at least once annually and also regularly updated as necessary. According to the Articles of Association, Nyfosa's Board of

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

Board member	Board meetings	Audit Committee meetings	Remuneration Committee meetings
Johan Ericsson (Chairman of the Board)	24/24	–	2/2
Marie Bucht Toresäter ¹	17/24	2/3	1/1
Lisa Dominguez Flodin	24/24	9/9	–
Jens Engwall	18/24	4/9	–
Patrick Gylling ²	9/9	–	1/1
Per Lindblad	21/24	–	2/2
David Mindus ³	15/15	6/6	–
Claes Magnus Åkesson	24/24	9/9	–

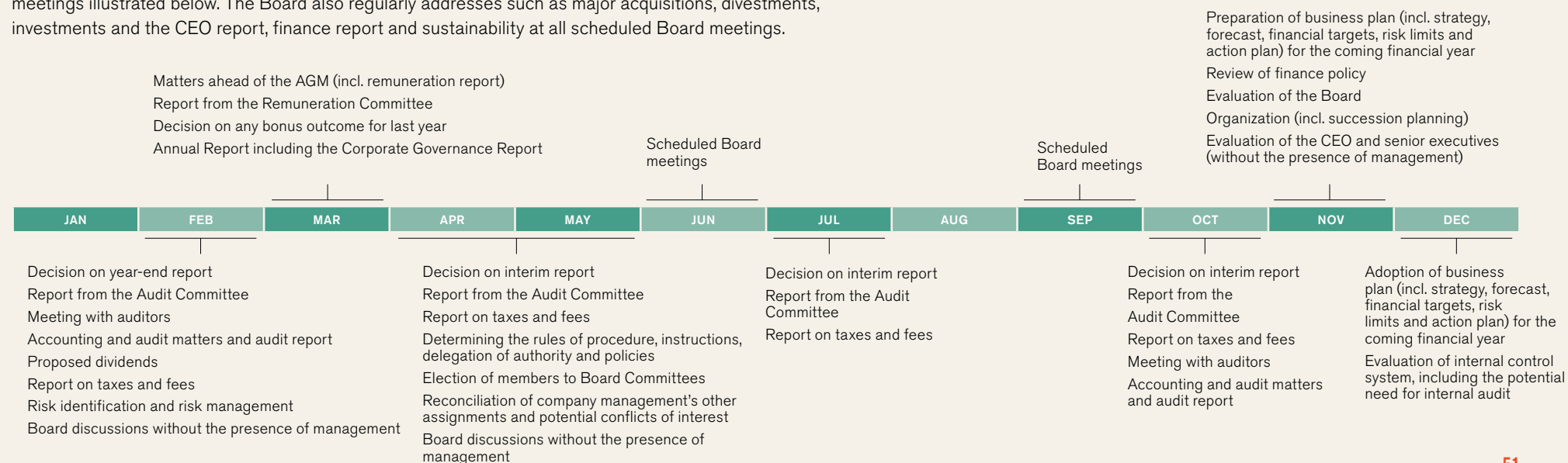
1) Stepped down from the Audit Committee and elected to the Remuneration Committee at the AGM on April 25, 2023.

2) Stepped down from the Board and Remuneration Committee at the AGM on April 25, 2023.

3) Elected to the Board and Audit Committee at the AGM on April 25, 2023.

MEETING PLAN FOR THE BOARD'S WORK DURING THE YEAR

The work of the Board follows the adopted rules of procedure pertaining to the year's scheduled Board meetings illustrated below. The Board also regularly addresses such as major acquisitions, divestments, investments and the CEO report, finance report and sustainability at all scheduled Board meetings.



Directors is to comprise at least four and no more than ten members, with no deputy members. The Articles of Association contain no specific clauses governing the appointment or dismissal of Board members or regarding amendment of the Articles of Association. The members of the Board are elected by the AGM for the period until the end of the next AGM. The AGM held on April 25, 2023 reelected Jens Engwall, Johan Ericsson, Lisa Dominguez Flodin, Per Lindblad, Marie Bucht Toresäter and Claes Magnus Åkesson as Board members, and David Mindus was elected as a new Board member. Johan Ericsson was also reelected Chairman of the Board. For more information about Nyfosa's Board members and information about their independence in relation to the company and management, refer to page 54. Information about the company's largest shareholders is provided on page 41.

The work of the Board

In addition to the statutory Board meeting, held immediately after the AGM, the Board meets at least ten times a year (scheduled Board meetings). The dates of meetings and the main standing items on the agenda to be discussed at the scheduled meetings follow a set meeting plan in the Board's rules of procedure. Refer to the description on the previous page. Extra Board meetings can be convened when required. Nyfosa's Board held 24 meetings during the year, one of which was a statutory Board meeting. For information about attendance at these meetings, refer to the table on the previous page. Prior to each meeting, the Board members receive an agenda and written material for the items to be discussed at the meeting. The agenda ahead of each scheduled Board meeting included a number of standing items: The CEO's review of the operations, acquisitions, divestments and investments as well as financial reporting.

Besides regular Board matters, including major acquisitions, divestments and investments, the Board addressed issues related to financing, the organization and sustainability in 2023.

Evaluation of the Board and the CEO

Once annually, in accordance with the Board of Directors' rules of procedure, the Chairman of the Board initiates an evaluation of the Board's work. The evaluation was carried out as a questionnaire, individual interviews with the company's Board members, CEO and auditor and a collective group evaluation. The purpose of the evaluation is to assess the results of the Board's and the Committees' work, the effectiveness of the work method and how it can be improved. The annual evaluation also aims to identify the type of matters that the Board should be given more scope to address and the areas that could potentially require additional experience and expertise on the Board. The result of the evaluation was discussed by the Board and reported to the Nomination Committee by the Chairman. The Board also continuously evaluates the work of the CEO. An evaluation is carried out at least once a year without the CEO attending.

Remuneration of Board of Directors

The AGM on April 25, 2023, resolved that the fees to the Board members be paid such that SEK 515,000 be paid to the Chairman of the Board and SEK 210,000 be paid to each of the Board members elected by the AGM who are not employed by the company. For work on the Audit Committee, fees were to be paid in the amount of SEK 75,000 to the Chairman of the Committee and SEK 36,000 to each of the other members of the Committee. For work on the Remuneration Committee, fees were to be paid in the amount of SEK 42,000 to the Chairman of the Committee and SEK 21,000 to each of the other members of the Committee.

Board Committees

The Board has established two committees from within its ranks: an Audit Committee and a Remuneration Committee, which both follow instructions adopted by the Board. These committees are sub-committees that prepare matters for the Board and do not have any own power of decision. The matters addressed at committee meetings are minuted and reported as necessary at the next Board meeting.

5 Remuneration Committee

The main tasks of the Remuneration Committee are to assist the Board by presenting proposals, providing advice and preparing matters regarding remuneration of and other terms of employment for the company's CEO and principles for remuneration of company management. Furthermore, the task of the committee is to monitor and evaluate the outcome of variable remuneration programs, and Nyfosa's compliance with the remuneration guidelines adopted by the General Meeting. The Remuneration Committee in 2023 comprised Board members Marie Bucht Toresäter (April-December), Johan Ericsson (Chairman), Patrick Gylling (January-April) and Per Lindblad. The Remuneration Committee held two meetings in 2023 that addressed matters including remuneration of senior executives, the structure of incentive programs, the buyback of warrants, the structure of the remuneration report and the review of the company's guidelines for remuneration of senior executives. For information about attendance at these meetings, refer to the table on the previous page.

6 Audit Committee

The Audit Committee is to assist the Board in completing its supervisory role of audit matters. The Committee's main task is stipulated in the Companies Act. These include overseeing the company's financial reporting, risk management in the financial reporting and the effectiveness of internal control and governance as well as maintaining contact with and evaluating the work, qualifications and independence of the external auditor. The Committee is also to assist in preparing proposals for the General Meeting to resolve on the election and remuneration of auditors. The results of the Committee's work in the form of observations, recommendations and proposals for decision or action are continuously reported to the Board. The Audit Committee in 2023 comprised Board members Marie Bucht Toresäter (January-April), Jens Engwall, Lisa Dominguez Flodin (Chairman), David Mindus (April-Dec) and Claes Magnus Åkesson.

The Committee is considered to meet the requirements of the Companies Act as regards its composition and accounting and auditing expertise. According to the Swedish Corporate Governance Code (the "Code"), the majority of the Committee's members are to be independent in relation to the company and management. Furthermore, at least one of the members who is independent in relation to the company and management must also be independent in relation to the company's major shareholders. In Nyfosa's case, half of the Committee members (Jens Engwall and David Mindus) are dependent in relation to the company and management, which is why Nyfosa deviates from the Code in this respect. However, the independence requirement in relation to the company's major shareholders is met. The deviation from the Code is due to the fact that the Board has deemed the current composition to be the most suitable for effectively and thoroughly performing the tasks of the Audit Committee. The Code was applied without any other deviations in 2023. The Audit Committee held nine meetings during the year and addressed matters on the company's internal control and governance, sustainability efforts and the handling of quarterly closing and interim reporting. For information about attendance at these meetings, refer to the table on the previous page.

7 CEO and Group Management

The CEO is appointed by the Board and is responsible for the daily management of the company and the Group's activities in accordance with the Board's instructions. The CEO instruction states that the CEO is responsible for the administration of the Board and Board reporting as well as preparing matters that require a decision by the Board, for example, adopting the interim report and Annual Report, decisions on major acquisitions, sales or investments and raising large loans. The CEO has appointed a Group Management team that is responsible for different parts of the operations. Nyfosa's Group Management currently comprises the CEO, the CFO, General Counsel, Head of Finance, Head of Property Management and Head of Transactions. The CEO

functions as chairman of Group Management and makes decisions in consultation with other members of Group Management. The work of Group Management follows an annual cycle of eight scheduled meetings. Extra meetings are convened as required.

Guidelines for remuneration of senior executives

The AGM on April 23, 2020 resolved on guidelines for the remuneration of Nyfosa's senior executives. These guidelines apply until further notice, but not longer than until the AGM on April 23, 2024. No decision on adjusting the guidelines was made in 2023.

Remuneration of senior executives may comprise a fixed and variable portion as well as pension benefits and other benefits. The fixed remuneration for senior executives is to be market-aligned and based on expertise, responsibility and performance. Variable remuneration is to be paid to senior executives where the Board believes that it encourages the right behaviors and does not jeopardize long-term value creation. The variable remuneration is to reward target-related performance and improvements in simple and transparent structures, and is to have a ceiling for a maximum outcome. Outcome is to be related to fulfillment of the company's financial targets and other measurable sustainability targets that support long-term shareholder value. Most established targets are to be the same for the senior executives but can, to less of an extent, refer to individual performance. Variable remuneration of senior executives must not exceed four months' salary and is not to be pensionable.

Senior executives may be offered incentive programs that are to primarily be share or share-price based to promote commitment to the development of the company and are to be implemented on market terms. For more information about outstanding incentive programs, visit the company's website.

The Board may derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the company's long-term interests, including its sustainability, or to ensure the company's financial viability. Any derogation

from the guidelines for remuneration of senior executives by the Board is to be included in the remuneration report at the next AGM.

The amount of remuneration paid in 2023 is presented in Note 7. The remuneration report for 2023 is published on the website, www.nyfosa.se.

8 Auditor

The auditor is an independent reviewer of the company's financial statements and is to determine whether they are essentially accurate and complete and provide true and fair view of the company and its financial position and earnings. The auditor is also to review the administration by the Board and CEO as well as the company's sustainability report. The auditor reports to the AGM.

At the AGM on April 25, 2023, KPMG AB was elected to serve as auditor until the end of the next AGM. Auditor-in-Charge Mattias Johansson is an Authorized Public Accountant and member of FAR (institute for the accountancy profession in Sweden). The auditors participated in two Board meetings to present KPMG AB's audit process to Nyfosa and to provide Board members the opportunity to ask questions without the presence of management. The auditors also participated in all scheduled meetings of the Audit Committee. To ensure the objectivity and independence of the auditor, they are evaluated annually by the Audit Committee. The auditor annually confirms their independence in the auditor's report.

In addition to the audit assignment, KPMG was engaged for additional services in 2023, primarily outsourcing and financial administration advice. Such services have always, and solely, been provided insofar as they are consistent with the regulations in the Swedish Auditing Act (1999:1079) and FAR's rules of professional conduct pertaining to the objectivity and independence of auditors.

BOARD OF DIRECTORS



Johan Ericsson

Chairman of the Board

Year of birth: 1951

Board member since:
May 7, 2018

Education and professional experience: Master in Business Administration, Stockholm School of Economics. FRICS. Previous experience from senior positions and various roles in the Catella group.

Other ongoing assignments: Chairman of Konstmässan Market AB, Fastighetsbolaget Emilshus AB and The Princess Estelle Cultural Foundation. Board member of Brinova Fastigheter AB (publ), AB Borudan Ett, Båstadtennis & Hotell AB and Torekov By AB.

Shareholding in the company: 65,000

Independent in relation to the company, Group Management and the company's major shareholders.

Shareholding in the company as of December 31, 2023 (incl. any shares held by related parties)



Marie Bucht Toresäter

Board member

Year of birth: 1967

Board member since:
May 7, 2018

Education and professional experience: Master in Business Administration, Uppsala University. Previous experience from senior positions at, inter alia, Headlight International AB, Skanska ID, NCC Property Development Nordic AB and Newsec Advice AB.

Other ongoing assignments: CEO of Novier AB, Novi Real Estate AB, Nordier Property Group AB, Norvier Property Advisors AB and Board member of MVB Holding AB and Novier Leasing & Development AB.

Shareholding in the company: 5,156

Independent in relation to the company, Group Management and the company's major shareholders.



Lisa Dominguez Flodin

Board member

Year of birth: 1972

Board member since:
May 7, 2018

Education and professional experience: Bachelor's degree in accounting and auditing, Mid Sweden University, Östersund, and MBA, San Jose State University. Previous experience as, inter alia, CFO of Grön Bostad AB, CEO of Cibus Nordic real Estate AB (publ) and Board member (including member of the Audit Committee) of NP3 Fastigheter AB (publ) as well from senior positions at Oscar Properties AB, Cityhold Property AB and NBP Group.

Other ongoing assignments: CFO of Granitor (formerly Midroc), Board member of Cordim Europe AB (and other board assignments in the Group), Granitor Properties AB, LCF Financial Services AB and Flodin Kapital AB.

Shareholding in the company: 7,500

Independent in relation to the company, Group Management and the company's major shareholders.



Jens Engwall

Board member

Year of birth: 1956

Board member since:
November 15, 2017

Education and professional experience: Master of Engineering, Royal Institute of Technology, Stockholm. Previous experience as the founder and CEO of Nyfosa AB and Hemfosa Fastigheter AB, CEO of Kungsleden AB and experience from the property sector through, inter alia, previous positions at Skanska AB.

Other ongoing assignments: Board member of Bonnier Fastigheter AB, Chengde Intressenter AB, Kveldhus AB, Nordic Mezzanine Capital I AB, Hemfosa Gård AB and Hemfosa Islandshästar AB.

Shareholding in the company: 4,338,564, of which 400,000 via companies

Dependent in relation to the company and Group Management. Independent in relation to the company's major shareholders.



Per Lindblad

Board member

Year of birth: 1962

Board member since:
May 7, 2018

Education and professional experience: Master of Science in Agriculture Economics, Swedish University of Agricultural Sciences (SLU), Uppsala. Previous experience from inter alia senior positions at SEB.

Other ongoing assignments: CEO of Landshypotek Bank Aktiebolag, Chairman of Lyckås Aktiebolag and Board member of Dina Försäkring AB, Swedish Bankers' Association and the Cooperatives Economic Association Sweden.

Shareholding in the company: 10,000

Independent in relation to the company, Group Management and the company's major shareholders.



David Mindus

Board member

Year of birth: 1972

Board member since:
April 25, 2023

Education and professional experience: Master in Business Administration, Stockholm University. CEO of AB Sagax since 2004.

Other ongoing assignments: CEO and Board member of AB Sagax. Board member of Hemsö Fastighets AB, Söderport Property Investment AB (including other group companies) and Mindustri AB (including other group companies).

Shareholding in the company: David Mindus owns 16.85 percent of the capital and 29.00 percent of the votes in AB Sagax, which in turn holds 44,500,000 shares in Nyfosa.

Dependent in relation to the company, Group Management and the company's major shareholders.



Claes Magnus Åkesson

Board member

Year of birth: 1959

Board member since:
April 19, 2022

Education and professional experience: Master of Business Administration at the Stockholm School of Economics and Advanced Management Program at INSEAD, in France. Previous experiences as interim finance and finance director, senior advisor, CFO and head of Investor Relations at JM AB. Previous experience also includes positions as Chief Controller Asia, CFO Malaysia and Regional Controller Asia in the Ericsson Group.

Other ongoing assignments: CEO and Board member of Anders Bodin Fastigheter AB. Chairman of the Board of JM @ Home AB and a Board member of Concentric AB and CM Åkesson AB.

Shareholding in the company: 7,500

Independent in relation to the company, Group Management and the company's major shareholders.

SENIOR EXECUTIVES



Ann-Sofie Lindroth

CFO

Year of birth: 1976

Training and education: Master of Science in Business Administration, Lund University.

Other ongoing assignments: Board member of Söderport Property Investment AB (and other board assignments within the group).

Background: Previous experience as Controller and Head of Finance at Hemfosa Fastigheter AB, auditor at EY Real Estate, and real estate agent at Svensk Fastighetsförmedling.

Shareholding in the company: 31,626

Warrants in the company: 82,000

Shareholding in the company as of December 31, 2023 (incl. any shares held by related parties)

Warrants in the company as of Dec 31, 2023

Linn Ejderhamn

General Counsel

Year of birth: 1986

Training and education: Master of Laws, Stockholm University.

Other ongoing assignments: No other assignments.

Background: Previous experience as lawyer at Cederquist and Baker McKenzie, as well as monitoring specialist at Company Monitoring Nasdaq Stockholm.

Shareholding in the company: 7,000

Warrants in the company: 47,000

Johan Ejerhed

Head of Finance

Year of birth: 1976

Training and education: Master of Engineering, international industrial economics (finance), Linköping University.

Other ongoing assignments: No other assignments.

Background: Experience as project manager in structured real estate financing at SEB.

Shareholding in the company: 18,654

Warrants in the company: 123,000

Stina Lindh Hök

CEO

Year of birth: 1973

Training and education: Master of Science in Engineering, KTH Royal Institute of Technology, Stockholm.

Other ongoing assignments: Board member of Fabege AB and Söderport Property Investment AB (and other board assignments within the group).

Background: Previous experience as COO at Nyfosa AB, Transaction Manager at Hemfosa Fastigheter AB, Project Manager for transactions at Atrium Ljungberg AB and Leimdörfer Fastighetsmarknad AB as well as property manager at Fabege AB.

Shareholding in the company: 97,380

Warrants in the company: 171,000

Josephine Björkman

Head of Transactions

Year of birth: 1975

Training and education: M.Sc. International Business, University of Gothenburg School of Business, Economics and Law.

Other ongoing assignments: Board member of One Publicus Fastighets AB (and other board assignments within the group) and Origa Care AB (publ).

Background: Previous experience as Head of Transactions at Jernhusen AB, Business Development Manager at GE Real Estate Norden and Analyst at GE Capital London.

Shareholding in the company: 3,720

Warrants in the company: 160,000

Anders Albrektsson

Head of Property Management

Year of birth: 1974

Training and education: Real Estate Economics and Finance, Royal Institute of Technology, Stockholm.

Other ongoing assignments: No other assignments.

Background: Previous experience as Head of Property Management Sweden, Customer Manager and Property Manager, Newsec Property Asset Management AB.

Shareholding in the company: 2,500

Warrants in the company: 68,000

MODEL FOR INTERNAL CONTROL AND GOVERNANCE

Nyfosa's transaction-based operations requires well-established processes and controls to minimize the risk of error. It also requires a corporate culture that fosters a good control environment.

Procedures and processes for internal control and governance are based on the COSO framework (Committee of Sponsoring Organizations of the Treadway Commission). The framework has five basic components: Control environment, Risk assessment, Control activities, Information & communication and Monitoring activities.

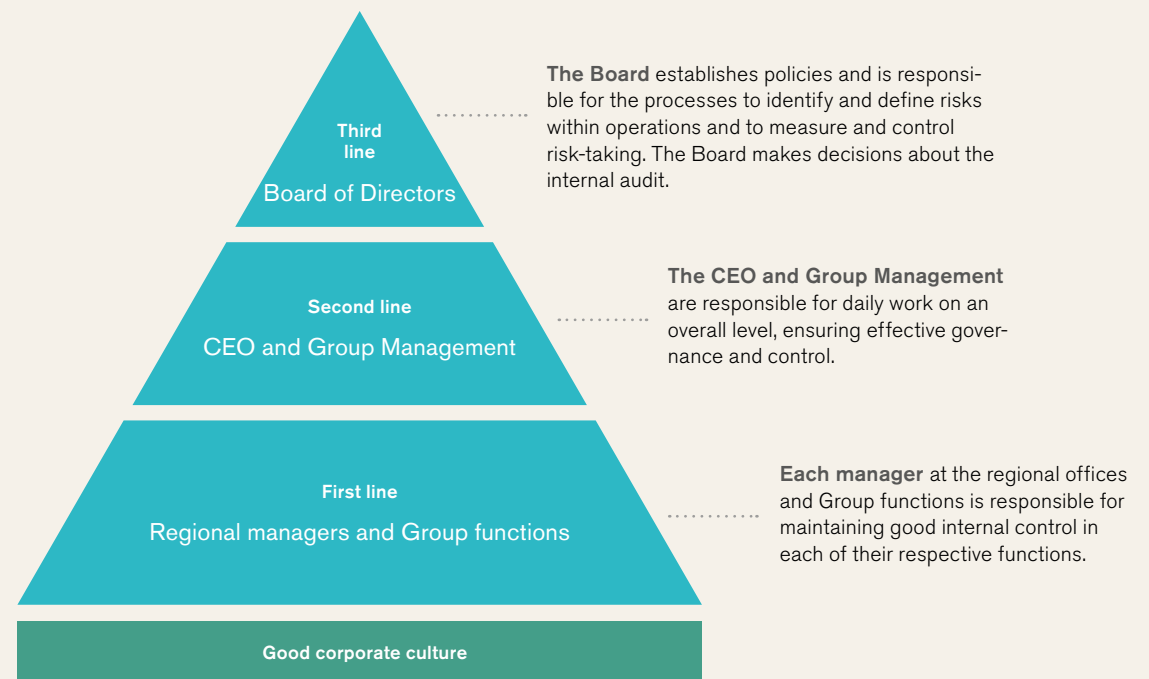
Nyfosa's model for internal control and governance consists of three lines of defense based on the model from the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Each line of defense is responsible for its level of internal control and governance.

The Board is responsible for ensuring that there are processes to identify and define risks within operations and to measure and control risk-taking. The Board's responsibility for the internal control and governance is regulated by the Companies Act, the Annual Accounts Act (1995:1554) and the Code.

The CEO and Group Management are responsible for daily work on an overall level, ensuring effective governance and control.

The managers at the property management offices and Group functions are responsible for maintaining good internal control and governance in each of their respective areas.

NYFOSA'S THREE LINES OF DEFENSE FOR INTERNAL CONTROL AND GOVERNANCE



Control environment

Nyfosa's control environment is founded on governing documents, processes and structures that describe internal control and governance in the organization. The Board monitors and ensures the quality of the internal control and governance in accordance with the Board's rules of procedure, the instructions for the CEO and the Committees and the associated delegation of authority and authorization manual. In addition, the Board has adopted a risk management policy that includes fundamental guidelines governing risk management, internal control and governance. These guidelines pertain to, for example, risk assessment, risk measures, control activities, action plans, evaluation and reporting. The internal control and governance activities are also presented in other governing documents, such as Nyfosa's accounting manual, sustainability policy and finance policy. These activities in the governing documents include regular checks and follow-ups of outcome compared with expectations and previous years, and supervision of, for example, the account-

ing policies applied by Nyfosa. In addition, Nyfosa provides an anonymous whistleblower function for all employees, business partners, tenants, suppliers and other external contracts that is regulated in separate guidelines and monitored by the Chairman of the Audit Committee.

Since the Group's ongoing reporting and the preparation of the quarterly and annual accounts, etc., have been partly outsourced to external service providers (Newsec Property Asset Management, PrimeQ and TietoAkseli), Nyfosa's accounting manual also addresses the collaboration with these providers. The responsibility for maintaining an effective control environment and the continuous work on risk assessment and internal control and governance regarding the financial reporting is delegated to the CEO. However, the Board has ultimate responsibility. The Audit Committee is responsible for monitoring the efficiency of the company's internal control, governance and risk management regarding the financial reporting. Group Management regularly reports to the Board and the Audit Committee following established procedures.

Responsibilities, authorities and governing documents comprise the control environment for the organization, together with laws and regulations. All internal governing documents are regularly updated to include changes in, for example, legislation, accounting standards or listing requirements.

Risk assessment

Every year, Group Management performs a risk evaluation of strategic, financial and operational risks as well as sustainability and compliance risks. The risks identified as the most material are documented in a risk list that is evaluated and submitted to a risk owner. The risk analysis also includes an assessment of the control activities established throughout the operations to manage the risks. Taking into account these existing control activities, the probability of a risk occurring within a defined period of time is evaluated, as is its impact on established targets. The risk assessment provides insight into the consequences for the Group if no action is taken, the risk-reducing measures that are in place and the level of

GROUP-WIDE POLICIES AND GOVERNING DOCUMENTS ADOPTED BY THE BOARD

Finance policy

Provides guidelines and regulations for conducting the finance operations of the company and its majority-owned subsidiaries. Also states the allocation of responsibilities and authorities, and contains strategies for how various financial risks are to be managed and stipulates risk mandates.

Risk management policy

Describes roles, responsibilities, processes and procedures related to risk management in the Group. The goal of Nyfosa's risk management is to systematically identify, evaluate and prioritize strategic and operational risks to thereafter make decisions about their management, and to also take advantage of opportunities that improve the likelihood of reaching business goals.

Information security policy

The aim is to raise awareness about security in everyday work with Nyfosa's information: a) to ensure that information is protected in accordance with its legal requirements, value and operational significance; and b) to prevent and avoid serious disruptions in operations and c) establish confidence for Nyfosa's brand.

Insider policy

Summarizes work to maintain good corporate governance, the general public and market's confidence in the company and describes the primarily legal regulations banning insider trading, etc.

Communication policy

Aims to ensure accurate information in communication both internally and externally and compliance with laws, regulations and agreements.

Sustainability policy

Describes Nyfosa's responsibilities in its operations and the impact on surroundings and provides guidelines for work within economic, environmental and social sustainability.

Policy for related-party transactions

Aims to minimize the risks of errors or improprieties due to related-party transactions and relationships.

IT policy

Aims to maintain an appropriate and efficient IT function that is to support the achievement of the company's business goals, protect operations, employees and customers as well as to ensure compliance with laws and regulations. This policy constitutes a framework for the management of IT resources, both internal and external, and applies to all of the company's employees, consultants and partners.

risk that the organization wants to achieve by taking further action. The outcome of the risk analysis and accompanying action plan is presented to the Board annually. For a description of the Group's risks and risk management, refer to the section Risks and risk management on pages 43–48 in the Annual Report.

The Audit Committee is responsible for identifying and managing serious risks of error in the financial reporting. The outcome of the completed risk analysis and accompanying action plan for the financial reporting is presented to the Committee annually.

Control activities

Control activities are established based on identified risks, with the aim of ensuring internal control and governance over the company's financial reporting. Identified risks are managed by implementing well-defined key processes with integrated control activities, such as dividing and delegating responsibility, collaboration and principles for distribution of responsibility between Nyfosa and external service providers and a defined decision-making process. Key processes include activities and controls intended to manage and minimize identified risks. In addition to these key processes, control activities comprise ongoing monitoring of financial results and financial position, company-wide controls and general IT controls.

Information and communication

Nyfosa has built an organization, procedures and systems for information and communication aimed at providing the market with relevant, reliable, correct and up-to-date information about the Group's performance and financial position and ensuring that the financial reporting is correct and effective.

For external disclosure of information, a communications policy has been adopted by the Board, designed to ensure that the company complies with the requirements for disseminating correct information to the market at the right time. Internal governing documents clarify who is responsible for what, and the daily interaction between the officers concerned ensures that the necessary information and communication reaches all relevant parties. Group Management works daily within operations and are thus regularly updated on developments in all portions of the company's operations.

The Board receives regular financial reports on the Group's financial position and earnings performance. In addition, the Board receives a report every year from Group Management on consolidated risks for the Group with an accompanying action plan, which in turn is jointly followed up by the Board and Group Management once per year.

Monitoring

The Board continuously evaluates the information provided by Group Management. The Group's financial position, investments and operating activities are normally discussed at each Board meeting and Group Management meeting. The Board is also responsible for monitoring the internal control and governance. This work includes ensuring that measures are taken to address any shortcomings, and following up proposals to address issues highlighted in connection with the external audit. Refer to the annual plan for the Board's meetings on page 51.

Follow-ups and separate evaluations are continuously carried out at various levels at Nyfosa in accordance with an adopted risk management policy and accounting manual. The risk owner appointed in the risk management policy is responsible for the management of a specific risk by regularly

analyzing developments, monitoring risk measures and providing status reports to Group Management. Approved measures and risk owners are also monitored based on the Board's and Group Management's annual follow-up of the action plan, at the same time as line managers are given the opportunity to highlight relevant risk information. The risk management process is in turn evaluated once a year to identify opportunities for improvement.

Internal audit

In light of operations, organizational structure and the organization of the financial reporting, the Board has not found any reason to establish a separate internal audit function. The company's Group-wide controller function has been adapted to manage the internal control activities. The matter of establishing a separate internal audit function is discussed by the Board every year.