

PREVENTING RISKS

The purpose of risk management is to advance the fulfilment of SATO's strategic and business objectives. Furthermore, the task of risk management is to evaluate any threats and opportunities appearing in business operations in relation to the objectives set, secure operational continuity, produce information to support decision-making processes in business operations, and increase the awareness of the organisation of possibilities and uncertainties in the operating environment.

We identify any risks that may prevent key objectives from being fulfilled annually during strategic and operational planning processes. In order to ensure that strategic and operational risks are handled comprehensively, key SATO employees take part in the risk identification process.

OPERATING MODEL

We have set responsibilities for the evaluation and monitoring of the realisation of recognised risks. When required, risk management measures will be initiated to prevent the realisation of risks or to enhance the monitoring of a certain area. Management can also be strengthened by preparing operating models for various risk situations.

On a Group level, changes in situations and the sufficiency of management are evaluated on a quarterly basis, while persons responsible for each risk area perform continuous evaluations.

RISK MANAGEMENT SYSTEM

Risk evaluations and risk management

Key guidelines

- Decision-making model and authorisations
- Financing policy
- Control model for procurement (cooperation with suppliers, selection of suppliers, criteria for suppliers, selection of partners)
- Insurance management system, evaluation and responsibilities
- Internal control system

Process management model

- Ownership of key processes, monitoring and development model, and indicators

Financial and operational reporting

- Balance between preventive and monitoring indicators

MANAGEMENT OF KEY RISKS

Risk	Description of risk	Control measures
Regulatory risk	A risk that the activities of the authorities, political guidelines or legal amendments disturb the development of towns and cities and SATOs operating conditions.	<ul style="list-style-type: none"> • Continuous contact with authorities • Impact on housing policies • Active monitoring of motions to change laws
Impact of a long-term recession on the development of prices and demand for apartments	A risk that a trend lower than the basic scenario applied by SATO to evaluate the economic situation is realised. A risk that market demand decreases significantly, resulting in a decrease in the value of SATOs apartment stock.	<ul style="list-style-type: none"> • Sufficient financial reserves and liquidity buffers • Development of the housing portfolio, investments (procurement and repairs) and divestments • Sensitivity analyses • Allocation of new investments/micro-location strategy
Reputation risk	A risk that SATOs reputation/image is damaged, reducing business operations, or that irresponsible activities in the real estate business ruin the reputation of the industry. A risk that a significant industrial operator faces financial difficulties that are also reflected in the value of housing assets of other operators.	<ul style="list-style-type: none"> • Secured compliance with the Code of Conduct and other internal guidelines • Internal audits • Guidelines on crisis communications
Risks associated with partnerships	A risk that a major partner faces financial difficulties or other problems, causing significant damage to SATOs business operations.	<ul style="list-style-type: none"> • Thorough and close monitoring of the financial situation of partners • Regular communication with managers of

		<p>partners</p> <ul style="list-style-type: none"> • Back-up plans in the case of partners facing difficulties
Cyber threats	<p>A risk that an external party attacks SATOs data systems and/or data network with the purpose of causing disruption and endangering SATOs operations. A risk that, as a result of an attack, SATOs customer information ends up in wrong hands and/or it is misused.</p>	<ul style="list-style-type: none"> • Building strong firewalls • Continuity and recovery plans for data management • Information security audits • Information security training
Significant difficulties in the availability and price of financing	<p>A risk that current sources of financing are unable to respond to SATO's financing needs in the medium term. Key risks include difficulties in the availability and price of bank financing due to changes in the market environment, and a decrease in demand in the Nordic bond market.</p>	<ul style="list-style-type: none"> • Diversified financing • Sufficient reserves • IG credit rating