

Corporate governance

Magnolia Bostad complies with the rules laid down by laws and other regulations as well as selected areas of the Swedish Corporate Governance Code that are assessed to be of use for the Company's governance and development.

Magnolia Bostad is being built both organizationally and financially for growth over the next few years. As a result, the bar is also set high in terms of procedures for internal governance and control, which in addition to the ongoing reporting also includes procedures and policies for investment and production decisions as well as project implementation. It is the belief of the Board of Directors that these procedures for the Company's governance are an important foundation for future growth in share value.

Articles of Association

According to the Articles of Association, the Company's legal name is Magnolia Bostad AB and it is a private company domiciled in Stockholm. The Company shall own and manage land and construction and engineering projects as well as any related operations.

Internal control

The Company has a relatively small organization and therefore outsources some management, legal and financial services. The Board of Directors is responsible for the internal control and has prepared documents such as the Board's formal work plan and instructions for the President. Internal guidelines and manuals are also important for the internal control.

Annual General Meeting

The Annual General Meeting is the highest decision-making body where all shareholders are entitled to participate. The Annual General Meeting discusses the Company's development, and decisions are made regarding, for example, dividends, discharge of liability for the Board of Directors, appointment of the auditor, remuneration to Board

of Directors and the auditor and election of the Board of Directors for the period up to the end of the next Annual General Meeting.

Notification of the Annual General Meeting takes place no earlier than six weeks and no later than four weeks prior to the Meeting. Notification is sent by mail. The 2014 Annual General Meeting was held on May 7. Ten shareholders were represented at the Meeting, corresponding to 87 percent of the votes. In addition to deciding on the income statement and balance sheet for the 2013 financial year, one of the decisions that was made was about the dividend.

The 2015 Annual General Meeting will be held on April 22.

Nomination Committee

Magnolia Bostad does not have a Nomination Committee. The proposal for the new Board of Directors is presented by the primary owner following discussions with the larger shareholders. In accordance with the Articles of Association, the Board of Directors shall consist of one to five members. The members of the Board of Directors are elected by the Annual General Meeting for a mandate period extending to the next Annual General Meeting. At the 2014 Annual General Meeting, three members were elected. One of these three is independent in relation to the owners.

Work of the Board

The work of the Board of Directors focuses on strategic issues such as business focus, the market, finance, purchases and sales and internal control and risk management. HR issues and decisions regarding the start of construction on projects are made by the executive management within established guidelines following reconciliation with the Chairman of the Board of Directors. During the 2014 financial year, the Board held seven meetings.

The most important documents for the Board of Directors are the

Articles of Association, the Board's formal work plan, the instructions for the President and the guidelines for financial reporting and the budgeting process.

The Board of Directors does not use any committees.

Risk management

Magnolia Bostad's risks are divided into three main areas: external risks, operational risks and financial risks. External risks are attributable to changes in the Company's external environment, and operational risks are primarily related to the project portfolio and organizational development. Financial risks are primarily interest rate risk and financing risk. Magnolia Bostad has established a business model as well as a control system, procedures and processes to limit all of the Company's risks and safeguard the power to act when needed.

Information

The Company issues interim reports on a quarterly basis that outline significant events and financial performance as well as an annual report prior to the Annual General Meeting. The information in these reports shall primarily refer to the consolidated financial statements.

Governance and follow-up

Internal financial follow-up of results is conducted at the project, company and group level. Follow-up is based on the budget and the previous year.

Dividend policy

In its dividend proposal, the Board of Directors shall take into consideration the fact that the Company's shares are not admitted to trading and consequently which direct return is considered to be appropriate. However, the proposal shall also take into consideration that the Company is currently in a growth phase and the payment of any dividends may not obstruct the overall goal of optimizing the total return for the shareholders.