

# Corporate governance

Magnolia complies with the rules laid down by applicable laws and other regulations. Magnolia Bostad does not comply with the Swedish Corporate Governance Code except for selected areas that the Company complies with voluntarily where the assessment is that they are 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 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 public company domiciled in Stockholm. The Company shall own and manage land and construction and engineering projects as well as any related operations. The Company's shares shall be registered in a CSD register.

## 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 CEO. 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 the 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. The 2015 Annual General Meeting was held on April 22. Thirteen shareholders were represented at the Meeting, corresponding to 94.4 percent of the votes.

In addition to adopting the income statement and balance sheet for the 2014 financial year, one of the resolutions that was passed was to pay a dividend of 20 öre per share. Furthermore, the Board of Directors was granted authorization to make a decision regarding a new share issue.

## Nomination Committee

Magnolia Bostad does not have a Nomination Committee. The proposal for a new Board of Directors is presented by the primary own-

er following discussions with the larger shareholders. In accordance with the Articles of Association, the Board of Directors shall consist of three to seven 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 2015 Annual General Meeting, five members were elected.

## 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 2015 financial year, the Board held twelve 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 CEO 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 devel-

opment. 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**

In order to ensure a high level of quality in terms of both external and internal information and compliance with applicable legislation and Nasdaq First North's information rules, the Board of Directors of Magnolia Bostad adopted an information policy. Furthermore, 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. Press releases are issued for significant events between reporting periods. The information in these reports shall primarily refer to the consolidated financial statements.

#### **Governance and follow-up**

Financial follow-up of outcomes is conducted at the project, company and group levels. Follow-up is based on the budget and the previous year.

#### **CEO**

The CEO is responsible for the Company's ongoing management in accordance with the rules set out in the Companies Act and the instructions and rules adopted by the Board of Directors.

#### **Remuneration to Members of the Board of Directors and the CEO**

*Remuneration to Board members*  
Fees and other remuneration to Board members, including the Chair of the Board, are determined by the Annual General Meeting. The 2015 Annual General Meeting resolved that the total fees for the Board members for the period up until the next Annual General Meeting shall be SEK 850,000. SEK 250,000 shall be paid to the Chair of the Board and SEK 150,000 shall be paid to each of the other four Board members. The Company's Board members are not entitled to any benefits when they step down from the Board.

*Remuneration to the CEO*  
Fredrik Lidjan was named CEO of the Company in March 2015 and receives as such customary remuneration.

He has been involved in Magnolia Bostad's operations since it was founded in 2009, for example as an advisor. In 2013, he was engaged as a consultant through his company, Fredrik Lidjan AB, to start the rental apartment production business area. Under his guidance, at that time as a consultant, the business area grew rapidly and is today, according to the Company, Magnolia Bostad's largest competitive advantage. The agreement with him entailed that he would work without fixed compensation, but was entitled to 12 percent of the profit in rental apartment projects (10 percent for Senapsfabriken). The agreement included under Sold projects in production, Traversen 18,

Nya Parken Allé, Tibble (Kungsängens-Tibble 19:1 and 20:2), Valsta Torg and Lumen, and under Ongoing and future projects, Senapsfabriken. The terms of the agreement have been fulfilled for all projects with the exception of Senapsfabriken and do not apply to future rental apartment projects.

In February 2015, an agreement was reached between the Company and Fredrik Lidjan AB regarding future collaborations within the rental apartment business area. Under this agreement, the Company and Fredrik Lidjan AB will co-invest in future rental apartment projects. Fredrik Lidjan AB will invest at market terms with a 10 percent stake and Magnolia Bostad will invest and receive a 90 percent stake in the companies in which the rental apartment projects will be operated. The agreement can also include tenant-owned apartments if this applies to the same plot of land and the tenant-owned apartments constitute a small portion of the entire project. This agreement applies until February 2019.

Finally, Fredrik Lidjan AB is also expected to invest on market terms in the Company's future hotel projects, but with a 24 percent stake. Clas Hjorth, who is responsible for the hotel business area, is also expected to invest in the same manner in such projects, but with a stake of 16 percent. Magnolia Bostad invests and receives a stake of 60 percent in future hotel projects.