

Corporate Governance Report

Magnolia Bostad AB (publ) is a Swedish public real estate company listed on Nasdaq First North. The Corporate Governance Report describes the manner in which Magnolia Bostad's owners indirectly or directly have guided the company during the year via different decision-making systems. Corporate governance aims to clarify the distribution of roles and responsibility between management and control bodies, safeguard the owners' possibilities to protect their interests through management bodies and establish conditions that promote a dialog between owners and the capital market that is as strong as possible. Corporate governance is based on external and internal regulations that are constantly being developed and improved. The company does not apply the Swedish Corporate Governance Code, except for selected areas where the company has made the assessment that voluntary compliance is of use for Magnolia Bostad's governance and development.

Articles of Association

The Articles of Association, which are adopted by the Annual General Meeting, contain information about the operations, share capital, number of Board members and auditors as well as provisions regarding the notification and agenda for the Annual General Meeting. They are available in their entirety on the website, under Corporate Governance. The company's name is Magnolia Bostad AB and it is a Swedish 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 must be registered in a CSD register.

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 passes resolutions on, for example, dividends, discharge of liability for the Board of Directors, election 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.

Annual General Meeting 2016

The ordinary Annual General Meeting in 2016 was held on May 4, 2016. Fourteen (13) shareholders were present, representing in total 63.5% of the votes (94.4). Fredrik Holmström was elected chair of the Meeting. All Board members participated. The minutes from the Annual General Meeting are available at Magnolia Bostad's website, www.magnoliabostad.se.

The Annual General Meeting in 2016 resolved on the following:

- Dividend of SEK 1.0 per share.
- Re-election of Board members Fredrik Holmström, Andreas Rutili, Fredrik Tibell, Risto Silander and election of Jan Roxendal. Fredrik Holmström was elected Chair of the Board. Erik Paulsen declined re-election.
- Election of Ernst & Young AB as auditing company for the period until the end of the next Annual

General Meeting, with Ingemar Rindstig as auditor-in-charge.

- Adoption of remuneration to the Board of Directors and auditors.
- Adoption of the income statement and balance sheet for the 2015 financial year.

An Extraordinary General Meeting on January 19, 2017, resolved that the Board of Directors will consist of six Board Members elected by the Meeting for the period until the next Annual General Meeting, without alternates. The same Extraordinary General Meeting resolved to elect Viveka Ekberg to the Board.

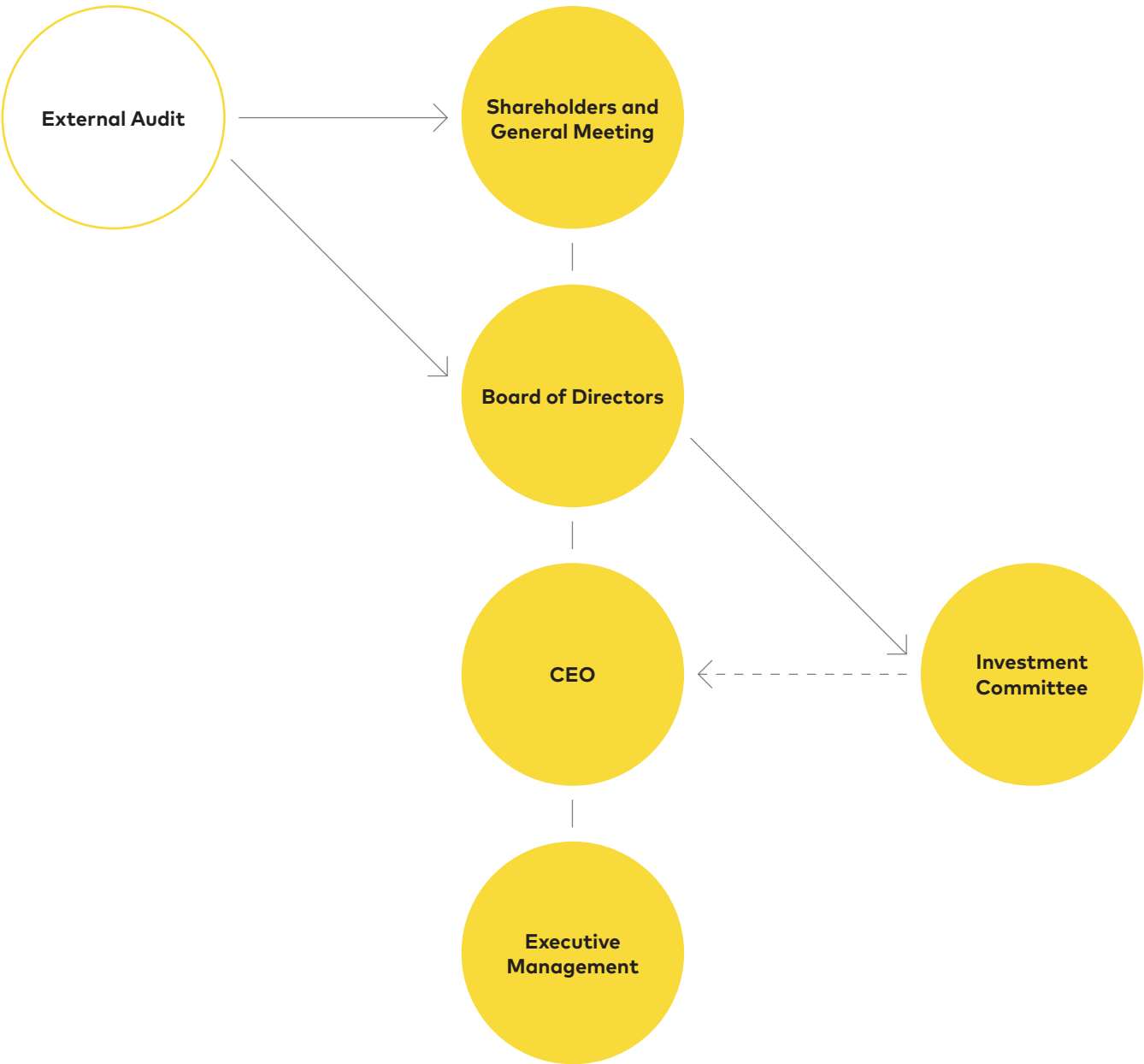
Share and shareholders

Magnolia Bostad's share has been registered for trading on Nasdaq First North since June 9, 2015. The total number of shares on December 31, 2016, amounted to 37,822,283 distributed between 3,455 shareholders. The closing price on the balance sheet date was SEK 96.25, which corresponds to a market capitalization of SEK 3.6 billion. The quotient value for all shares is SEK 4.00. Each share is entitled to one vote and grants an equal right to the share of the capital. There were no convertibles, warrants or the equivalent at the end of the year that could lead to additional shares in the company.

Nomination Committee

Magnolia Bostad does not have a Nomination Committee. A proposal for a new Board of Directors is presented by the primary owner following discussions with the larger shareholders. In accordance with the Articles of Association, the

Magnolia Bostad's corporate governance model



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.

Board of Directors

The Board of Directors is elected by the Annual General Meeting. It is the Board of Directors, on behalf of the owners, that manages Magnolia Bostad by establishing goals and strategies, assessing the operating activities and determining procedures and systems to follow up on established goals. The Board of Directors of Magnolia Bostad, according to the Articles of Association, shall consist of three to seven Board members and at the most three deputies. Until the end of 2016, the company's Board of Directors consisted of five members elected by the 2016 Annual General Meeting. All members from 2015 were re-elected with the exception of Erik Paulson, who declined re-election. Jan Roxendal was elected as a new member, and Fredrik Holmström was elected Chair. For more information about the Board of Directors, see page 114.

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. The tasks of the Board of Directors are conducted through an organized cooperation between the Board and Executive Management. The Board has a control function to ensure that the interests of the company's owners are met and that the Board, through reports, can follow the assessment obligations set forth by law, listing regulations and good Board practice.

HR issues and decisions regarding the start of construction on projects are made by Executive Management within established guidelines following reconciliation

with the Chairman of the Board of Directors. During the 2016 financial year, the Board held 13 (12) 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 also appoints the Investment Committee. The Board has tasked the Investment Committee to function as an advisory body and support the Board of Directors regarding acquisitions and sales. The Investment Committee consists of the CEO, Head of Business Development, Head of Project Development and Head of Tenant-Owner Association Sales. The Investment Committee reports on an ongoing basis to the Chair of the Board, who has been given discretionary right of decision by the Board for decisions regarding acquisitions and sales that are not considered to qualify as insider information. Decisions regarding business that does qualify as insider information are made by the Board of Directors. The Board of Directors did not use any other committees in 2016.

CEO and Executive Management

Executive Management consisted on December 31, 2016, of the company's CEO, VP/Head of Business Development, VP/Head of Project Development, CFO and Head of Communications. Each person on the Executive Management team has their own area of responsibility. Executive Management meets weekly to discuss primarily operational issues and prepare matters for the Board. The CEO is responsible for the company's day-to-day management in accordance with the Instructions for the CEO that are adopted each year by the Board and the rules set out in the Swedish Companies Act.

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 resolved by the Annual General Meeting. The 2016 Annual General Meeting resolved that the total fees for the members of the Board of Directors for the period up until the next Annual General Meeting shall amount to SEK 1,450,000. SEK 450,000 shall be paid to the Chair of the Board and SEK 250,000 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 business area. Under his guidance, at that time as a consultant, the business area grew rapidly, and the company today views this business area as its greatest competitive advantage. The agreement entailed that he would work without fixed compensation, but was entitled to 12 percent of the profit of rental apartment projects (10 percent for Senapsfabriken). The agreement included the Traversen 18, Nya Parken Allé, Tibble (Kungsängens-Tibble 19:1 and 20:2), Valsta Torg and Lumen projects, as well as Senapsfabriken under Ongoing and future projects. 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 conjunction with Fredrik Lidjan's accession to the position of CEO, a new 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.

Auditors

Magnolia Bostad's external auditors are appointed by the Annual General Meeting. The auditors are tasked with reviewing on behalf of the shareholders the Board of Directors' and the CEO's management of the company and that the annual financial statements were prepared in accordance with applicable laws and regulations. The 2016 Annual General Meeting resolved for the period until the end of the next Annual General Meeting to elect Ernst & Young AB with Inge-mär Rindstig as auditor-in-charge. In addition to the audit, Ernst & Young also provided advice during the year regarding tax and financial due diligence in transactions in subsidiaries. In 2016 remuneration was paid totaling SEK 2.2 million (1.3).

See also Note 8, Disclosures regarding fees and cost reimbursement to the auditor, for more information.

Policy documents

External

Magnolia complies with the rules laid down by applicable laws and other regulations. The company does not follow the Swedish Corporate Governance Code, except for selected areas in which the has made the assessment that voluntary compliance is beneficial for Magnolia Bostad's governance and development.

Internal

The Company has a relatively small organization and therefore out-sources some management, legal and financial services. The Board of Directors is responsible for the internal control and has prepared policy 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.

Magnolia Bostad is currently in a strong growth phase and is expanding both organizationally and financially to enable growth in coming years. The bar has therefore been set high in terms of procedures for internal governance and control, which in addition to the ongoing reporting also include procedures for investment and production decisions as well as project implementation. It is the belief of the Board of Directors that the procedures for the company's governance are an important foundation for future growth in share value.

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. 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. See also the Director's Report, Risk Management.

Control environment

Internal control includes the structure of policies, processes, procedures and the organization, which has been designed to contribute to reliable financial reporting and compliance with laws and ordinances. At the company, the foundation of our internal control is our attest procedure, formal work plan for the Board and our reporting instructions.

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 Insider Policy and an Information Policy. Furthermore, the company issues interim reports on a quarterly basis that outline significant events and financial performance and it issues an annual report prior to the Annual General Meeting. Press releases are issued for significant events between reporting periods. The information shall primarily refer to the consolidated financial statements.