

MAGNOLIA

**Magnolia Bostad
Corporate
Governance
Report 2018**

18

Corporate Governance Report

- A word from the Chairman 112
- Corporate governance report 114
- Board of Directors 124
- Management and Auditors 126
- Articles of Association 128
- Auditor's statement regarding the Corporate Governance Report..... 129

5

A word from the Chairman

My ambition is to be able to use the prevailing position today to grow and take market share.

In February of this year, I met my good friend and partner Andreas Rutili at a restaurant in central Stockholm to celebrate a very specific event: that it was right here, ten years ago that we decided to form Magnolia Bostad. Sometimes I can compare running Magnolia Bostad to having children and starting a family. I can't always say that it turned out as I thought, but in the better moments it has turned out to be so much more than I could have ever dreamed of.

During these ten years, we have gone from being a local actor that loves to do business to a company that is active all over Sweden and also integrates with society as a whole. We are happy to take more responsibility in the areas where we operate and today we have more than 17,000 building rights in more than 20 locations where we work for long-term social development.

More even flow of projects desirable

2018 was a shaky year for developers and turned out to be a poor year in terms of results for Magnolia Bostad. Many of our colleagues in the industry focusing on tenant-owned apartments had difficulty in getting their products sold to end consumers, which resulted in poorer results. It would be easy to assume that the same reason is behind Magnolia Bostad's results, but paradoxically we had a number of buyers waiting for our products, but unfortunately had almost nothing to sell. Quite simply, we didn't have zoning planning in place that we could package and sell as projects. This gives a jerkiness to our results over the year and does not always give a completely accurate picture of the work and value created in the company. Our ambition is, of course, to be able to create a smoother and more predictable flow of projects and hopefully we will be there in a year or two.

The Board proposes no dividend payment

I've always been clear that my ambition is to create a dividend-friendly company. Therefore, it's a dis-

appointment for me that the company has not been able to deliver on this goal this year. But due to the weak results and that there are many liquidity opportunities, the Board has chosen to propose to the Annual General Meeting that no dividend be paid. However, our objective has not changed and I see good conditions for us to be able to achieve a strong dividend in the future.

Development opportunities for self-management

Magnolia Bostad will always be a developer at heart and this is where I think we can really stand out and make a difference compared to our competitors and colleagues in the industry. That being said, I think we will move up in the value chain by choosing to build certain things for our own management or a structure where we can buy out the real assets that we created. In this way, we are creating more of substance, the possibility of a stronger cash flow and more options when projects are completed.

If we – when a project is completed – choose not to retain it for our own management, we will be paid more than if we sell the project at an early stage. There may also be interesting opportunities in the future to distribute properties as part of a possible structural transaction to shareholders. We currently have no clear goals in terms of volume or time frame for how this should be done, but have a positive attitude and are constantly looking at possible business.

Switch to the Nasdaq Stockholm main list

In 2018, Magnolia Bostad made the move onto the Nasdaq Stockholm main list. My hope is that this will eventually lead to increased liquidity and an increased spread of ownership. So far, the shares have not performed well, which means that we have much to prove in 2019, a challenge that we are happy to take on.



Building certification - an important sustainability goal

Our contribution to society should not be limited to the buildings we build. Magnolia Bostad has lofty goals in terms of sustainability. One of our goals is for all projects we develop to achieve environmental certification equivalent to at least the Sweden Green Building Council's Silver level. It's an ambitious target and we are proud that a number of our projects in 2018 were certified according to this standard.

In terms of social sustainability, we believe in being tangibly involved in the places where we operate. We believe that integration and gender equality are the key to a safe and positive society and have therefore chosen to sponsor girls' football through Ronjabollen. The organization helps immigrant girls in a context where they can go about, meet and learn about cultures and language. A concrete way to create encounters leading to mutual understanding at an early stage of life. Today we support 17 teams from Sundsvall in the north to Malmö in the south and the number of teams is steadily increasing.

Agreements are promising for the future

Something that did not appear in the figures for 2018 but which I believe will have a positive effect in the future is the framework agreement that we signed with Heimstaden. The agreement means that we will sell homes for SEK 9.6 billion to Heimstaden over the next few years. Another example is the agreement with Alecta, which was signed during the year and which comprises approximately 1,000 hotel rooms to be delivered in Göteborg and other growth areas.

Just as Magnolia Bostad was born in the aftermath of the financial crisis and was able to do good business in an uncertain market, my ambition is to be able to use the current position to be able to grow and take market share. I feel that we have good prospects of doing so and it is therefore inspiring to take Magnolia Bostad on into its next ten-year period.

Stockholm, March 2019

Fredrik Holmström

Corporate Governance Report

In order to ensure that Magnolia Bostad is managed in an efficient manner and to create long-term value for shareholders, the division of responsibility is clear between the company's decision-making bodies.

Magnolia Bostad AB (publ) is a Swedish public real estate company listed on Nasdaq Stockholm. 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 dialogue 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 has applied the Swedish Code of Corporate Governance (the Code) since 1 January 2017. The Code specifies a standard for good corporate governance at a higher level of ambition than the minimum requirements set out in the Swedish Companies Act and other rules.

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. The Articles of Association are on page 128 of this report and on our homepage under the Corporate governance section. The company's name is Magnolia Bostad AB, and the company is a Swedish public company domiciled in Stockholm. Its mailing address is Box 5853, 102 40 Stockholm, Sweden, and its physical address is Sturegatan 6, Stockholm, Sweden, telephone +46 (0)8 470 50 80. The company will – either directly or indirectly through subsidiaries – acquire, own, manage, develop and sell properties, carry on project activities relating to properties and own and manage securities and other associated activities.

Annual General Meeting

The Annual General Meeting is the highest decision-making body where all shareholders are entitled to participate.

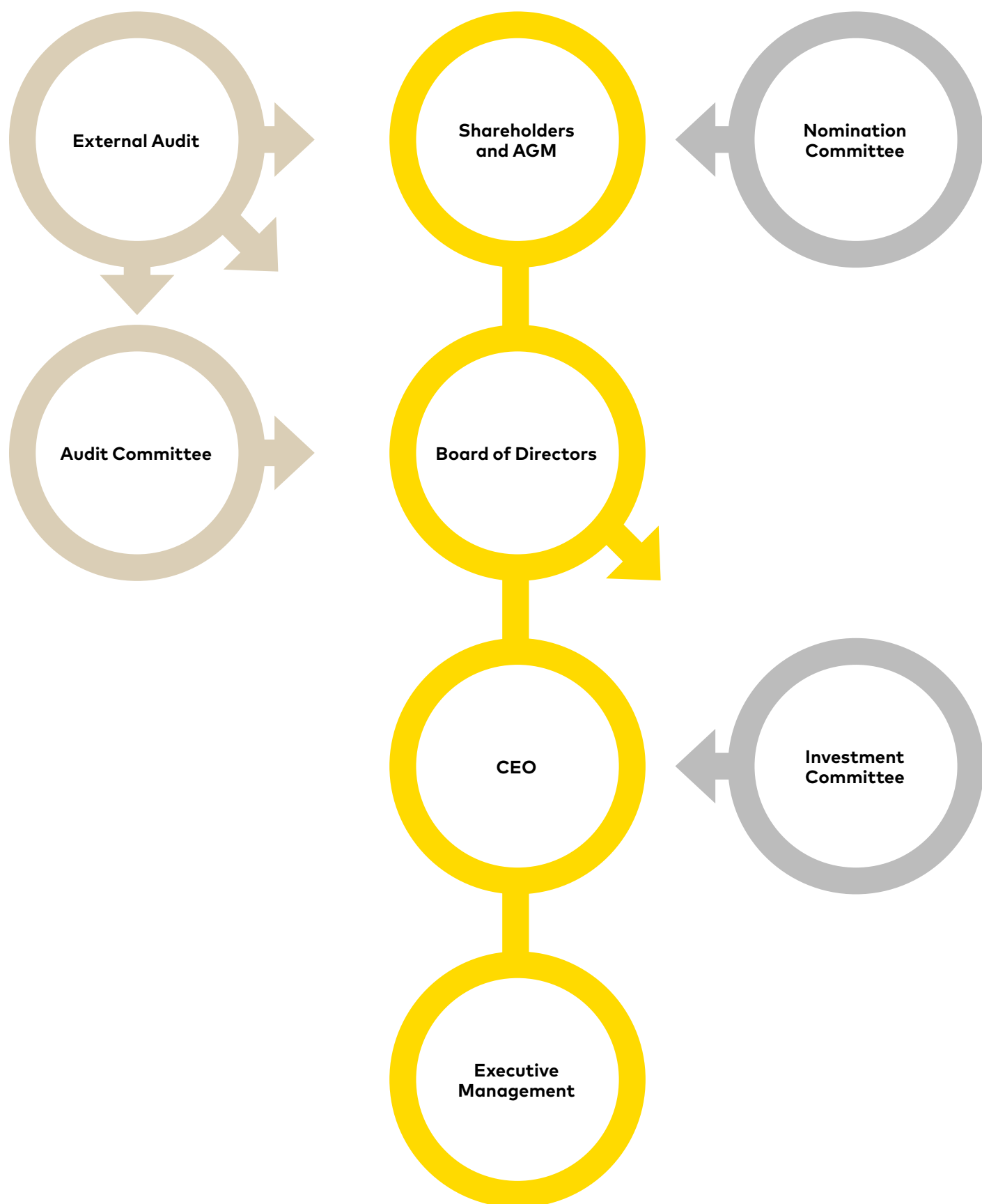
The Annual General Meeting discusses the company's development, and passes resolutions on, for example, dividends, discharge of liability for the Board of Directors, election of the auditor, remuneration to the Board of Directors and the auditor and election of the Board of Directors for the period up to the end of the next Annual General Meeting.

Annual General Meeting 2018

The ordinary Annual General Meeting in 2018 was held on 27 April 2018. Present at the meeting were 18 shareholders (26), representing in total 28.7% of the votes (69.7). Fredrik Holmström was elected Chairman of the Meeting. All Board members participated. The minutes from the Annual General Meeting are available on Magnolia Bostad's website, www.magnoliabostad.se.

The Annual General Meeting in 2018 resolved on the following:

- Adoption of the income statement and balance sheet for the financial year.
- Dividend of SEK 1.75 per share.
- Granting of discharge from liability for the Board members and the CEO for the financial year.
- Change to the Articles of Association.
- Adoption of remuneration to the Board of Directors and auditors.
- Re-election of Board members Viveka Ekberg, Fredrik Holmström, Jan Roxendal, Andreas Rutili, Risto Silander and Fredrik Tibell. Fredrik Holmström was elected Chairman of the Board.
- Reselection of the auditing company Ernst & Young AB as auditor.
- Selection of Ingemar Rindstig as auditor and Mikael Ikonen as deputy auditor.



All decisions apply to the period until the end of the next Annual General Meeting. The registered auditing company Ernst & Young AB selected Fredric Hävrén as chief auditor.

The shares and shareholders

Magnolia Bostad's shares have been listed on the Nasdaq Stockholm list since 20 June 2018. The company's shares were registered for trading on Nasdaq First North on 9 June 2015, and on Nasdaq First North Premier in March 2017.

The total number of shares on 31 December 2017 amounted to 37,822,283 distributed between 4,845 shareholders. The closing price on the balance sheet date was SEK 36.50, which corresponds to a market capitalization of SEK 1.4 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.

Warrants

The Annual General Meeting held on 26 April 2017, resolved to issue 350,000 warrants to the subsidiary, Magnolia Utveckling AB. During 2018, 260,500 warrants were transferred to employees in accordance with the warrant programme. The programme is closed for other warrants. Other warrants are still in the ownership of the subsidiary Magnolia Utveckling AB. Each warrant entitles the holder to the right to subscribe to one share at a strike price of SEK 84 per share. The subscription period is from 2 November 2020 until 26 April 2022.

Nomination Committee

The Nomination Committee was established and works according to the instructions determined at the 2017 Annual General Meeting. According to the instructions, the Nomination Committee shall consist of the Chairman of the Board of Directors and members representing the three largest shareholders in the company according to the share register kept by Euroclear Sweden as at 30 September of the year before the Annual General Meeting. The composition of the Nomination Committee shall be made public at least six months prior to the Annual General Meeting. Members of the Nomination Committee shall not receive remuneration, and the term of office runs until the composition of the next Nomination Committee has been made public.

The Nomination Committee's primary tasks are to nominate candidates to the posts of Chairman of the Annual General Meeting, Chairman of the Board and other members of the Board, submit proposals for fees and other remuneration for each Board member and submit proposals for remuneration for committee work for each Board member. The Nomination Committee shall also nominate candidates to the post of auditor and submit proposals for the fees to the auditor taking into consideration the recommendation from the Audit Committee. The Nomination Committee shall safeguard the communal interests of all shareholders in the matters that fall within its area of responsibility. The Nomination Committee shall perform its tasks

in accordance with the Code and thus observe the requirement for diversity and breadth in the company's Board of Directors in particular.

For more information regarding the work of the Nomination Committee, see the Nomination Committee decision suggestions for the Annual General Meeting on the company homepage, www.magnoliabostad.se.

The Nomination Committee up to the 2019 Annual General Meeting consists of Eva Fontér as a representative of F. Holmström Fastigheter AB, Henrik Buss as a representative of Wealins S.A. Johannes Wingborg as a representative of Länsförsäkringar Fondförvaltning AB and Chairman of the Board of Directors Fredrik Holmström.

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.

At the end of 2017, the company's Board of Directors consisted of six members elected by the 2017 Annual General Meeting. All members of the Board of Directors were re-elected. Fredrik Holmström was elected Chairman. For more information about the members of the Board of Directors, see page 142. The Board's tasks include establishing strategies, business plans and budgets, annual and interim reports, annual financial statements and adopting instructions, policies and guidelines. The Board of Directors also monitors economic trends, ensures the quality of the financial statements and the internal control and evaluates business activities based on the targets and guidelines established by the Board of Directors. Finally, the Board of Directors makes decisions regarding the company's significant investments and major changes to the organization and its business activities. 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, the Code and good Board practice. In addition to this, the Board of Director's work is governed by guidelines from the Annual General Meeting and the Board's work plan. The Board of Directors also adopts Instructions for the Audit Committee, instructions for the CEO as well as instructions for financial reporting.

Audit Committee and Remuneration Committee

As of 31 December 2018, the Audit Committee consisted of three members: Jan Roxendal (Chairman), Fredrik Tibell and Viveka Ekberg. The company's CEO or another representative of the company and the company's auditors participate in Audit Committee meetings when necessary. The CFO and the person responsible



The Magnolia Bostad Board of Directors, from left: Jan Roxendal, Andreas Rutili, Viveka Ekberg, Fredrik Holmström, Risto Silander and Fredrik Tibell.

for the consolidated financial statements also attend the meetings. The company's CFO is the rapporteur at the Audit Committee's meetings.

The Audit Committee is responsible for monitoring the company's financial statements, risk management, structure and policies for internal control and accounts and audits. The Audit Committee also reviews and monitors the auditor's impartiality and independence, other services provided by the company's auditor and assistants, the company's nomination committee when preparing proposals for the decision by the Annual General Meeting on selection of an auditor. Members of the audit committee must possess the qualifications and experience within accountancy, auditing and/or risk management required to fulfil the committee's obligations. In 2018, the Audit Committee held five minuted meetings, of which the company's auditors participated in three.

The Board of Directors has decided to carry out the tasks normally assigned to a Remuneration Committee since this is considered most appropriate for the company.

Chairman of the Board

The Chairman of the Board leads the Board's work, is responsible for ensuring that the Board's work is carried out efficiently and that the Board fulfils its obligations in accordance with applicable laws and rules. In particular, the Chairman of the Board must monitor the Board's performance and prepare and lead Board meetings. The Chairman of the Board is also responsible for ensuring that the Board evaluates its work every year and obtains the information it needs to be able to perform its work efficiently. The Chairman of the Board represents the Board in relation to the company's shareholders.

Work of the Board of Directors in 2018

The Board of Directors held 21 meetings during the 2018 financial year, of which one immediately followed the Annual General Meeting. According to the applicable work plan, the Board must hold at least seven ordinary board meetings per calendar year, one immediately following the Annual General Meeting. Board meetings are held in conjunction with the company's quarterly reporting, prior to the company's annual general meeting, prior to decisions on the company's business plan and prior to budget decisions.

The regular board meetings also have a recurring structure and deal with issues of major importance for the company such as ongoing business and projects, marketing, business development and reporting from the Audit Committee and Investment Committee. Furthermore, the Board is informed of the current business situation in both the property market and the credit market and receives an economic presentation and project follow-up. Among the regular cases dealt with by the Board in 2018 are corporate-wide policies, overall business plan, rules of procedure for the Board and operational and organizational issues.

The Company's Executive Management have participated in Board meetings as rapporteurs on specific issues. The Board has also met the auditors without the presence of the Executive Management.

Extra Board meetings are normally convened to decide on major transactions, financing and cooperation agreements. In 2018, the Board held a number of Board meetings within the framework of the work ahead of the listing on Nasdaq Stockholm. In addition, the company has had a transaction-intensive year and has, after a changed decision-making procedure for the company's investment committee, held several meetings for approval of acquisitions, sales and investment decisions. On the financing side, the Board has considered decisions on further financing within the framework of the existing bond and approval of a new bond loan.

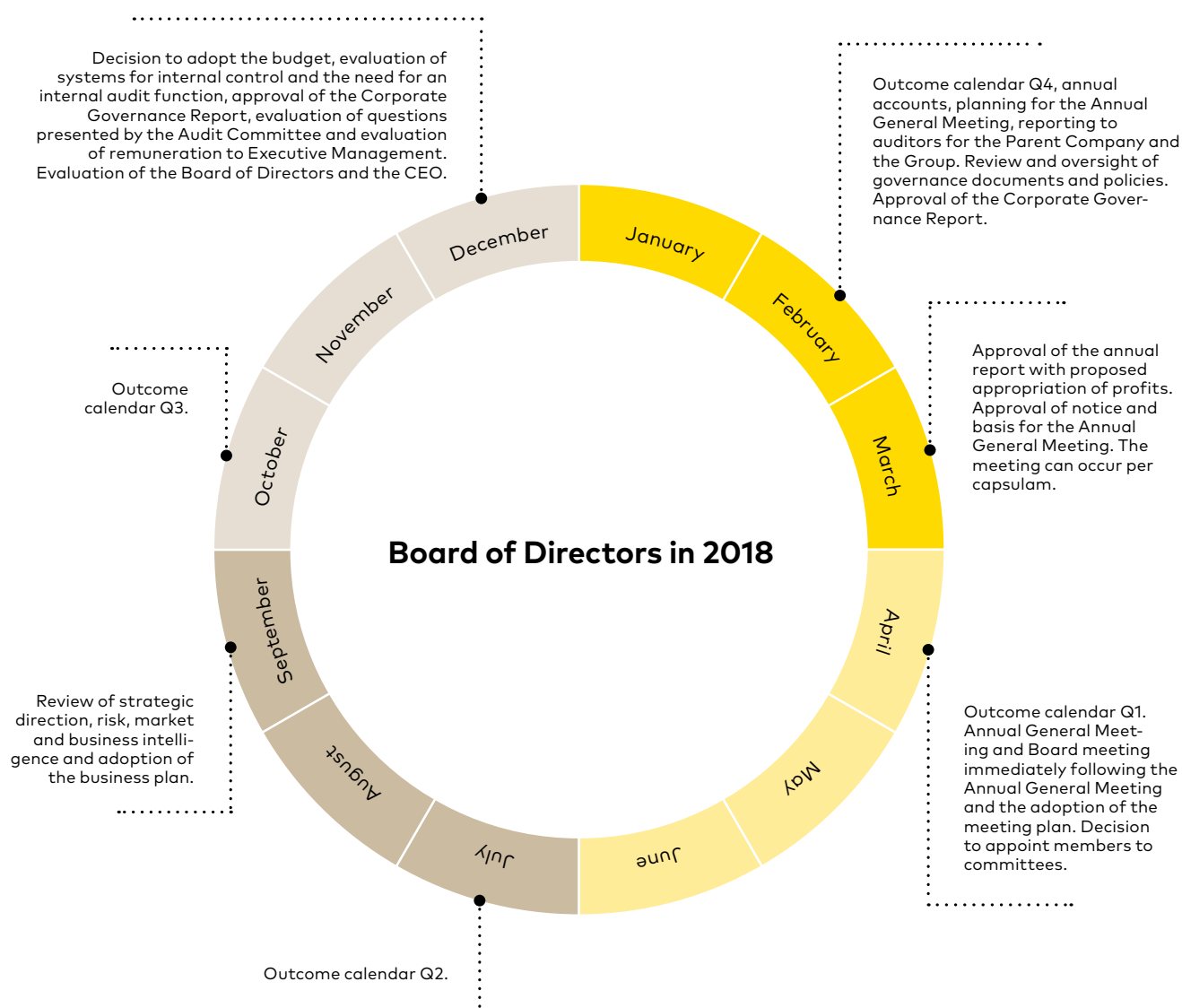
Evaluation of the work of the Board of Directors

The Board of Directors is evaluated each year, partly for the purpose of developing the Board's work and partly to create a basis for the Nomination Committee's evaluation of the Board's composition. An important objective of the evaluation of the Board of Directors is to ensure that the work of the Board is functioning well. This evaluation therefore includes investigating the type of questions that the Board believes should be given greater focus, determining the areas in which the Board needs additional competence and assessing the composition of the Board. This evaluation also functions as a basis for the work of the Nomination Committee. In 2018, the evaluation was conducted through a written survey, where Board members were able to give their view on the Board's method of working and effectiveness, its need for competence and strengths and its improvement areas. The responses were then compiled into a report that was presented to the Board by the Chairman of the Board. The subsequent board discussion is used as a basis for the continuous development of the Board's working methods and identified areas of improvement. According to the Board evaluation, the work of the Board functioned well during the year and that the outcome of several assessment criteria had improved since last year's evaluation. The evaluation also showed that the Board is greatly committed and provides relevant expertise for the company's operations and that cooperation with the company's management during the year has worked well.

Investment Committee

The Board has established an Investment Committee. The Investment Committee's main task is to act as an advisor and to support the Board of Directors in connection with acquisitions and sales of property projects. During the year, the work description for the investment committee was updated in June and in September with changed delegation levels and changes to the members of the committee.

The Investment Committee must consist of four to five members, who are chosen by the Board once a year.



On 31 December 2018, the Investment Committee consisted of four members: The company CEO Fredrik Lidjan, VP Erik Rune, VP Rickard Langerfors and Head of Legal Hanna Jessing.

The Investment Committee has a fixed time during the week set aside for meetings, but meetings only take place when needed. The Investment Committee's decisions are documented by minutes which, together with other relevant documentation and information, are made available to the Board. The CEO reports decisions from the Investment Committee at the ordinary board meeting and when it is otherwise deemed necessary. In 2018, the Investment Committee held 35 minuted meetings, at which a total of 58 matters were discussed.

CEO and Executive Management

At 31 December 2018, this consisted of the CEO, CFO, the two VPs, Head of Operational Development and

Sustainability, Head of Residential Development, Head of Business Generation and Eastern Regional Director, Head of Marketing and Communications and Head of Legal. The Executive Management meets regularly to discuss primarily overarching operational issues and prepare matters for the Board of Directors. The CEO is responsible for the company's ongoing management in accordance with the instructions for the CEO, which are adopted annually by the Board of Directors, the rules set out in the Companies Act, other applicable laws and guidelines and in accordance with the company's policies and the directions of the Board of Directors.

Remuneration to Members of the Board of Directors and the CEO

Remuneration of Board members

Fees and other remuneration for the Board members, including the Chairman of the Board, are determined by the Annual General Meeting. The Annual General Meeting held on 27 April 2018, resolved that the fees

for Board members for the period up to the next Annual General Meeting shall amount to SEK 1.7 million. SEK 450,000 shall be paid to the Chairman of the Board and SEK 250,000 shall be paid to each of the five other Board members. In addition to this, SEK 80,000 shall be paid to the Chairman of the Audit Committee and SEK 60,000 to each of the other members of the Audit Committee. The company's Board members are not entitled to any benefits when they leave the Board of Directors.

Remuneration to the CEO

Fredrik Lidjan receives competitive remuneration in his role as CEO. For more information, see Note 9 – Remuneration to employees.

Fredrik Lidjan has been involved in Magnolia Bostad's operations since it was founded in 2009, including 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 Fredrik Lidjan's 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. Fredrik Lidjan had an agreement that entailed that he would work without fixed compensation but was entitled to 8-12% of the profit of certain rental apartment projects. The agreement included the projects: Traversen 18, Nya Parken Allé, Tibble, Valsta Torg, Lumen and Phases 1 and 2 of 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.

Minority ownership structure 2015-2017

In conjunction with Fredrik Lidjan's accession to the position of CEO, a new agreement was reached between the company and Fredrik Lidjan AB. Under this agreement, the company and Fredrik Lidjan AB would co-invest in future rental apartment projects. Fredrik Lidjan AB would invest at market terms with a 10% stake and Magnolia Bostad would invest and receive a 90% stake in the companies in which the rental apartment projects would be operated. The agreement could also include tenant-owned apartments if this applied to the same plot of land and the tenant-owned apartments constituted a small portion of the entire project.

Minority ownership structure 2017-2020 and 2022

At the Extraordinary General Meeting on 13 October 2017, a new minority ownership structure was adopted and replaced the current structure. Projects developed in limited liability companies in the old minority structure will continue, but no new projects will be allocated in accordance with the previous structure.

Under the minority ownership structure, Fredrik Lidjan AB will co-invest in all of the company's future projects on market terms with an 8% stake. In future hotel projects, Clas Hjort's, head of the hotel business, stake will be 16%. Magnolia Bostad will then hold a 92% stake in all projects under this structure, apart from hotels where the total will be 76%. This minority ownership structure comprises investments that take place up to

and including 2022 for all projects except hotel projects that include investments that take place up to and including 2020.

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 have been prepared in accordance with applicable laws and regulations. The 2018 Annual General Meeting resolved for the period until the end of the next annual general meeting to elect Ernst & Young AB as auditors. The AGM also decided to select Ingemar Rindstig as auditor and Mikael Ikonen as deputy, for the period up until the end of the 2019 Annual General Meeting. Ernst & Young AB selected Fredric Hävrén as chief auditor. In addition to the audit, Ernst & Young also provided advisory services during the year mainly regarding tax and sustainability reporting. In 2017, remuneration to auditors was paid totalling SEK 4.2 million (7.2). See also Note 8 – Disclosures regarding fees and cost reimbursement to the auditor, for more information.

Internal controls

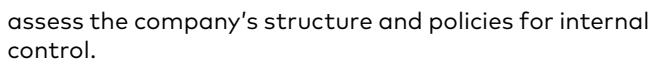
The Board of Director's responsibility for internal control is regulated by the Swedish Companies Act and the Swedish Code of Corporate Governance. The Board of Directors is ultimately responsible for ensuring that internal controls are developed, communicated and understood by the employees at Magnolia Bostad. Magnolia Bostad implements the individual control structures and is responsible for ensuring that the control structures are monitored, executed, updated and observed. Heads of Department for each level are responsible for ensuring that internal controls are established within their areas and that these controls achieve the intended effect.

Magnolia Bostad complies with the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) framework for evaluating a company's internal control over financial reporting "Internal Control – Integrated Framework". The framework consists of the following five components: control environment, risk assessment, control activities, information and communication and monitoring.

The process for internal controls and risk assessment, as well as control structures and monitoring in relation to financial reports has been designed to guarantee reliable overall financial reporting and external financial reporting that complies with IFRS, applicable laws and rules and other requirements that may exist for companies listed on Nasdaq Stockholm. This work involves the Board of Directors, senior executives and other employees.

The manner in which the Board of Directors monitors and ensures the quality of internal controls is documented in the adopted work plan for the Board of Directors and in the instructions for the Audit Committee. Part of the work of the Audit Committee is to

See pages 30 to 33 for information on which projects are part of the different structures.



The basis for internal controls on financial reporting is Magnolia Bostad's organization, decision-making procedures, responsibility and authorizations that are communicated in the governing documents. These documents include the Articles of Association, the Board of Directors' rules of procedure, the CEO's instructions, the Code of Conduct, the business plan, policies, process description and manuals. Magnolia Bostad's work on internal control aims to identify high-risk areas and minimize these risks.

The risks of material misstatement in financial reports is assessed by Magnolia Bostad's Board of Directors, the Executive management and the company's external auditors. There is an established risk management process within Magnolia Bostad. The CEO, in collaboration with other departments within the company, is responsible for structured risk mapping across all business activities. Magnolia Bostad's risks are divided into four main types: (1) external risks, (2) operative risks, (3) financial risks and (4) organizational risks.

Operational risks consist of business risks relating to our business, projects and processes such as regulatory compliance, quality defects and ethical violations.

Organizational risks are primarily attributable to succession planning, supply of skills and resource planning. Magnolia Bostad's established business model, along with an established control system, procedures and processes, limits the company's total risks and guarantees an ability to act whenever necessary.

Control activities are designed on the basis of the risk analysis to address the significant risks identified. These are both of a preventive nature, in other words actions aiming to avoid losses or errors in reports and in the nature of detection. The controls must also ensure that any errors will be corrected.

Examples of areas that have a material impact on the company's results and that have well-established quality control measures include accounting for projects and funding matters and sales. Controls are

carried out using methods such as variance analyses and on the occasion of quarterly meetings between business areas and the group management. For the business, the business system forms the basis of the control structure established and focuses on important stages in the business such as investment decisions, production start-up and sales. Magnolia Bostad places great emphasis on follow-up of projects linked to established procedures for the project process, such as weekly meetings, the Investment Committee and the Quality Council.

Information, communication

Magnolia Bostad's policy documents in the form of a code of conduct, policies, process descriptions and manuals are reviewed annually by process owners and updated when necessary and are made available via the company's intranet. All new employees receive information on the governing documents and Magnolia Bostad holds information sessions where the values and the code of conduct are discussed. All employees also are responsible for being aware of applicable laws and rules and acting in accordance with the company's guidelines. Magnolia Bostad has an information policy to ensure that the company complies with applicable requirements for accurate information for the market.

Follow-up

Follow-up takes place on many different levels within Magnolia Bostad. The company has a business plan and a budget is decided on by the Board of Directors each year. The Board of Directors receives summary financial statements every month and financial statements with comments including project follow-up and follow-up of warranties and reserves at least once a quarter. The Board of Directors also reviews interim reports and year-end reports prior to publication.

The company's external auditor reports his findings from audits and assessments of the internal control to the Audit Committee and the Board of Directors during

the autumn and when the year-end accounts are audited. Magnolia Bostad has procedures to ensure that action is taken to address any deficiencies and that highlighted actions are followed up. After a review, the Board has found that the Group has a simple operational structure in which business is conducted in one sector. Follow-up of ongoing and completed investments is presented to the Board on an ongoing basis. The Board of Directors believes that the external auditors' audit and its own follow-up is sufficient to ensure that internal control of financial reporting is good. All in all, this means that it is not considered justified to have a special internal audit unit. This decision is reviewed annually.

Information policy and insider policy

The company has created an information policy and an insider policy with the aim of informing employees and other parties concerned within the company of the laws and rules that apply in relation to the company's dissemination of information and the specific requirements imposed on persons who reactive in a company listed on the stock exchange, e.g. in relation to insider information. The company has established procedures for counteracting the dissemination of information that has not been published.

IR function

The IR function is led by Magnolia Bostad's CFO, with support from the company's IR manager. The primary tasks of the IR function are to support the Chief Executive Officer and senior executives in relation to the capital markets, including management of the spread of information that has not been published, to help the Chief Executive Officer and communications team prepare the quarterly and annual reports, analyst meetings, Annual General Meetings and capital market presentations and regular reports on IR activities.

Composition of the Board

Member	Elected	Post	Born	Nationality	Independent in relation to the company/ company management	Independent in relation to major shareholders	Number of meetings	Attendance	Number of Audit Committee meetings ¹⁾	Attendance
Fredrik Holmström	2009	Chairman	1971	Swedish	No	No	21	21	–	–
Andreas Rutili	2015	Member	1975	Swedish	No	Yes	21	18	–	–
Fredrik Tibell	2010	Member	1966	Swedish	Yes	No	21	21	5	5
Risto Silander	2015	Member	1957	Swedish	Yes	Yes	21	21	–	–
Jan Roxendal	2016	Member	1953	Swedish	Yes	Yes	21	20	5	5
Viveka Ekberg	2017	Member	1962	Swedish	Yes	Yes	21	21	5	5

¹⁾ Members of the Audit Committee: Viveka Ekberg, Jan Roxendal and Fredrik Tibell.



Magnolia Bostad's Executive Management, from left: Linda Wiman, Fredrik Lidjan, Christina Hambäck, Thomas Persson, Hanna Jessing, Erik Rune, Suzana Bossel and Fredrik Westin.

Board of Directors



Fredrik Holmström
Chairman since 2009

Born 1971

Founder of Magnolia Bostad. President and owner of Holmströmgruppen AB, the parent company in a privately-owned group focused on the production of residential units, acquisition and management of properties and trade in listed and unlisted holdings.

BSBA from IUM, Monaco (formerly University of Southern Europe).

Dependent of the company and management. Dependent of major shareholders.

Shareholding in Magnolia Bostad (owned personally and by closely-related persons): 21,542,787.



Viveka Ekberg
Member since 2017

Born 1962

Former CEO of PP Pension, Head of Nordics at Morgan Stanley Investment Management, Associate Partner and Head of Project Management at Brummer & Partners, Head of SEB Institutionell Förvaltning, and analyst at Alfred Berg Fondkommission as well as financial analyst and journalist at Affärsvärlden. Board member of Lindab International AB, Svolder AB, Skagen AS, Areim AB, SPP Pension & Försäkring AB and Centrum för rättvisa, and Chairman of Apoteket AB:s Pensionsstiftelse.

MBA from Stockholm School of Economics.

Independent of the company and management. Independent of major shareholders.

Shareholding in Magnolia Bostad (owned personally and by closely-related persons): 20,000.



Jan Roxendal
Member since 2016

Born 1953

Previously President of Gambro Holding AB and CEO of Intrum Justitia AB, Executive Vice President and member of the Executive Board of the ABB Group, Group responsible for ABB Financial Services, as well as other senior positions within the ABB Group. Chairman of AP2 and Board member of Catella AB.

Higher general banking degree.

Independent of the company and management. Independent of major shareholders.

Shareholding in Magnolia Bostad (owned personally and by closely-related persons): 5,000 as well as Corporate Bonds ISIN SE0008293823 with a face value of SEK 900,000.

The above details are correct as of 31 December 2018.



Andreas Rutili

Member since 2015

Born 1975

Founder and CEO of Magnolia Bostad 2009–2015. Previously President of Vitosha Capital AB, a property development company with a focus on new production of residential units in Eastern Europe. Also has a background as CEO of the food company Bonesto AB.

Studies in economics at Uppsala University and Stockholm University.

Dependent of the company and management. Independent of major shareholders.

Shareholding in Magnolia Bostad (owned personally and by closely-related persons): 2,938,565.

Shareholding as of 31 December 2018 via capital insurance with Danica Pension.



Risto Silander

Member since 2015

Born 1957

Previously CEO of Alfred Berg. Prior to this, management positions at Svenska Handelsbanken, Goldman Sachs and UBS. Currently board member of Varenne AB, Stronghold Invest AB, Niam AB, Brevan Howard Funds, Endeavour Pembroke Funds, BH-DG Funds, Trygg Stiftelsen and Gamla Livförsäkringsaktiebolaget SEB Trygg Liv.

MSc (Economics) from Stockholm School of Economics.

Independent of the company and management. Independent of major shareholders.

Shareholding in Magnolia Bostad (owned personally and by closely-related persons): 80,000.



Fredrik Tibell

Member since 2010

Born 1966

Founder and President of Caritas Corporate Finance AB, which provides financial advisory services primarily to companies within the real estate industry. Chairman of the Board of Svenska Husgruppen Intressenter AB and others.

Finance studies at Stockholm University.

Independent of the company and management. Dependent of major shareholders.

Shareholding in Magnolia Bostad (owned personally and by closely-related persons): 10,000.

The above details are correct as of 31 December 2018.

Executive Management and auditors



Fredrik Lidjan
CEO
Employed 2017
CEO since 2015
Born 1973

Previously responsible for the development of rental apartment development at Magnolia Bostad. Before this he was Transaction Director at DTZ and a credit analyst at SEB. MBA from University of California, Los Angeles.

Shareholding in Magnolia Bostad (owned personally and by closely-related persons): 155,300. Owns Fredrik Lidjan AB, a company with which Magnolia Bostad has significant business connections, see page 120.



Erik Rune
VP
Employed since 2015
Born 1973

Previously CFO and Head of Business Development at Magnolia Bostad and CFO in the Nordic region for CBRE Global Investors. Also has a background as the CEO of the Nordic operations for London & Regional Properties and worked in real estate financing at Eurohypo and SEB and the real estate advisory department at SEB Enskilda. MSc (Economics) from Stockholm School of Economics.

Shareholding in Magnolia Bostad (owned personally and by closely-related persons): 175,000 as well as 87,500 warrants.



Fredrik Westin
CFO
Employed since 2016
Born 1973

Previously Head of Finance at Kungsleden. Also has a background as FP&A Manager and Accounting Manager at GE Capital Real Estate Nordic. Master in Business Administration from the Gothenburg School of Economics.

Shareholding in Magnolia Bostad (owned personally and by closely-related persons): 1,600 as well as 20,000 warrants.



Christina Hambäck
Head of Operational Development and Sustainability
Employed since August 2018
Member of Executive Management since October 2018
Born 1978

Former Director at Newsec within investment consultancy. Also has a background as Business Development Manager at Ikano Bostad and before that also worked at DTZ, JLL and CBRE. MSc. degree from the Royal Institute of Technology (KTH), Stockholm and a BSc. in Economics and Business Administration from Stockholm University.

Shareholding in Magnolia Bostad (owned personally and by closely-related persons): 1,400.



Linda Wiman
Head of Residential Development
Employed since 2017
Born 1975

Former sales and marketing manager at JM AB. In addition experience from JM in project development, marketing communication, sales and business development. Marketing economist from IHM Business School.

Shareholding in Magnolia Bostad (owned personally and by closely-related persons): 510 as well as 3,000 warrants.

The above details are correct as of 31 December 2018.

**Thomas Persson***Head of Business Generation and Eastern Regional Director*

Employed since

December 2018

Born 1969

Previously International Partner at Cushman & Wakefield. Prior to that Senior Partner and Managing Director at Catella Corporate Finance. Master of Science, Royal Institute of Technology and business studies, Stockholm University.

Shareholding in Magnolia Bostad (owned personally and by closely-related persons): –

**Suzana Bossel***Head of Marketing and Communications*

Employed since 2014

Born 1973

Extensive background in PR and Communications from the housing industry, for example with JM AB. In addition, she was PR and marketing manager for Ettelva Arkitekter and the single-family home developers Arkitekthus and Svenska Husgruppen. Market Economist from IHM Business School and Higher Degree in Technical Editorial Work from Mälardalen University.

Shareholding in Magnolia Bostad (owned personally and by closely-related persons): 105,000 as well as 15,000 warrants.

**Hanna Jessing***Head of Legal*

Employed since 2017

Member of Executive Management since October 2018

Born 1971

Former legal counsel at Vasakronan AB. Before that, attorney at Lindskog Malmström Advokatbyrå and district court lawyer. Degree of Master of Laws (LL.M) from Stockholm University.

Shareholding in Magnolia Bostad (owned personally and by closely-related persons): 12,000 warrants.

Rickard Langerfors*VP*

Employed since 2011

Born 1972

Rickard Langerfors will leave his post at Magnolia Bostad on 30 June 2019. Previously head of project development within Magnolia Bostad.

Shareholding in Magnolia Bostad (owned personally and by closely-related persons): 294,000 as well as 16,000 warrants.

Auditors**Ernst & Young AB**

Fredric Hävrén

*Authorized auditor***Chief auditor**

Ingemar Rindstig

*Authorized auditor***Elected auditor**

The above details are correct as of 31 December 2018.

Articles of Association

Magnolia Bostad AB
Sturegatan 6
Box 5853, 102 40 Stockholm
Switchboard +46 8 470 50 80
magnoliabostad.se

ARTICLES OF ASSOCIATION OF MAGNOLIA BOSTAD AB Reg nr 556797-7078

Adopted at the Annual General Meeting on 27 April 2018

§ 1 Name

The Company's name is Magnolia Bostad AB. The Company is public (publ).

§ 2 Domicile of the Board of Directors

The Board of Directors is domiciled in Stockholm.

§ 3 Operations

The company will – either directly or indirectly through subsidiaries – acquire, own, manage, develop and sell properties, carry on project activities relating to properties and own and manage securities and other associated activities.

§ 4 Share capital and the number of shares

The share capital consists of at the least SEK 120,000,000 and at the most SEK 480,000,000. The total number of shares shall be at the least 30,000,000 and at the most 120,000,000.

§ 5 Board of Directors

The Board of Directors shall consist of three to seven members.

§ 6 Auditors

The Company shall have one to two auditors, of which one can be a registered accounting firm, with a maximum of two deputy auditors.

§ 7 Notice of General Meeting

Notice of General Meeting shall be announced in Post och Inrikes Tidningar and by publishing the notice on the Company's website. At the same time as the notice is published, the Company shall advertise in Dagens Industri that a notice has been published.

§ 8 Participants at the Meeting

Shareholders who wish to participate in the proceedings at the General Meeting shall be registered in the transcript or other representation of the complete share register pertaining to the circumstances five days prior to the General Meeting, and they shall notify the Company thereof no later than on the date specified in the notice to the General Meeting. That date may not be a Sunday, other public holiday, Saturday, Midsummer's Eve, Christmas Eve or New Year's Eve and may not fall earlier than the fifth ordinary business day prior to the General Meeting. Shareholders may not have more than two assistants at the General Meeting, and only when they notify the Company of the number of assistants prior to the Meeting as indicated in the previous paragraph.

§ 9 Opening of the meeting

The Chairman of the Board or a person appointed by the Board opens the Annual General Meeting and leads the proceedings until the Chairman of the Meeting is elected.

§ 10 Annual General Meeting

The Annual General Meeting is held annually within six months after the end of the financial year. At the Annual General Meeting the following business is conducted.

1. Election of the Chairman of the Meeting;
2. Preparation and approval of the voting list;
3. Approval of the meeting agenda;
4. Election of one or two adjusters;
5. Resolution concerning the due convening of the meeting;
6. Presentation of the annual report and the auditor's report and, where appropriate, consolidated financial statements and consolidated auditor's report;
7. Resolution regarding
 - a. adoption of the income statement, balance sheet and, where appropriate, consolidated income statement and consolidated balance sheet,
 - b. dispositions concerning profit or loss as stated in the adopted balance sheet,
 - c. discharge of the members of the Board and the CEO from liability;
8. Determination of the number of members for the Board of Directors, auditors and deputy auditors, who shall be appointed by the Meeting;
9. Adoption of fees paid to members of the Board and auditors;
10. Election to the Board of Directors and auditor;
11. Resolution on guidelines for remuneration payable to senior executives;
12. Any business that arises at the Meeting in accordance with the Swedish Companies Act or the Articles of Association of the Company.

§ 11 Fiscal year

The Company's fiscal year shall be a calendar year.

§ 12 Record day provision

The Company's shares shall be registered in a securities register according to the Central Securities Depositories and Financial Instruments Accounts Act (1998:1479).

Auditor's report on the corporate governance statement

To the general meeting of the shareholders of Magnolia Bostad AB (publ), corporate identity number 556797-7078

Engagement and responsibility

It is the Board of Directors who is responsible for the corporate governance statement for the year 2018 on pages 114–128 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm 28 March 2019
Ernst & Young AB

Fredric Hävrén
*Authorized Public
Accountant*

Ingemar Rindstig
*Authorized Public
Accountant*

MAGNOLIA

Magnolia Bostad AB
Sturegatan 6
Box 5853, 102 40 Stockholm
Phone +46 8 470 50 80
magnoliabostad.se