

## THE BOARD'S PROPOSAL FOR RESOLUTION ON GUIDELINES FOR SALARY AND OTHER REMUNERATION

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The Board proposes that the Annual General Meeting on 27 April 2021 resolves on the following guidelines for salary and other remuneration to the members of the Board of Directors, the Company's CEO, Deputy CEO and other senior executives, until new guidelines are adopted by a general meeting, although not longer than until the 2025 Annual General Meeting, mainly as set out below. Senior executives refer to members of the company's management team. These guidelines apply to agreements concluded after the Meeting's resolution, and where amendments are made to existing agreements after that time. These do not apply to board fees decided by the Annual General Meeting or issues and transfers covered by Chapter 16 of the Swedish Companies Act (2005:551).

### *Guidelines for promoting the company's business strategy, long-term interests and sustainability*

The company's business strategy is briefly the following. Magnolia Bostad is an urban developer who works with rental accommodation, community service properties, hotels and tenant-owner apartments. We develop our accommodation as individual projects or as part of a larger project when we create a whole new neighbourhood. Magnolia Bostad will, with good profitability, develop efficient, attractive and functional accommodation. By working with several forms of tenure and by focusing on long-term partnerships, the company achieves good risk diversification. In order to achieve our targets within the framework of our business concept, the following strategic direction has been established: development will take place in locations with good long-term demographic conditions; properties will be developed for sale as residential units, community service properties or hotels, based on prevailing market conditions and the individual potential and quality of each property; projects will also be developed for self-management, to strengthen the balance sheet, generate a continuous cash flow and create long-term value growth; the production process will start as demand is secured; collaboration will be with long-term partners and the balance sheet should be utilized effectively, mainly through a high turnover rate throughout the project chain.

For further information about the company's business strategy, see <https://om.magnoliabostad.se/en>

Successful implementation of the company's business strategy and the safeguarding of the company's long-term interests and sustainability requires that the company can recruit and retain skilled employees. This requires the company to be able to offer competitive remuneration. These guidelines enable senior executives to be offered a competitive total remuneration.

### *Previously decided incentive schemes*

In previous years, the Board has used long-term incentives with the aim of promoting the company's long-term financial interests by encouraging an ownership interest in the company. This promotes the company's business strategy and gives shareholders and employees concerned the same long-term goals as well as a common view on sustainability issues. They have been approved by the Annual General Meeting and are therefore not covered by these guidelines.

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 at

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a market-based price in accordance with the warrant programme. 28,000 warrants were redeemed in 2019. Redeemed warrants are still in the ownership of the subsidiary Magnolia Utveckling AB. 89,500 unexercised warrants were cancelled during 2019. Each warrant entitles the holder to subscribe for one share at a strike price of SEK 84 per share. The subscription period is from 2 November 2020 until 26 April 2022.

The Annual General Meeting on 10 May 2019 resolved to issue 200,000 warrants to the subsidiary Magnolia Utveckling AB. During 2019, 170,000 warrants were transferred to key employees at Magnolia Bostad at a market-based price in accordance with the warrants program and thereafter, in 2020, the remaining 30,000 warrants have been transferred to a key employee at Magnolia Bostad at a market-based price in accordance with the warrant program. Each warrant entitles the holder to subscribe for one share at a strike price of SEK 84 per share. The subscription period is from 1 November 2022 to 26 April 2024.

All resolved incentive schemes have fallen due for payment, i.e., there is no commitment for the company to pay the decided schemes.

For more information about these programs, see <https://om.magnoliabostad.se/en>

## *Remuneration and forms of remuneration*

Remuneration to senior executives shall be market-based and competitive and can consist of a fixed part and a variable part, as well as pensions and other benefits. In addition, the Board can prepare, and the Annual General Meeting decide, on share- and share price-related incentive schemes. With a combination of remuneration forms, it is possible to achieve both short and long-term target management that enables the meeting of objectives. The various forms of remuneration that can be paid out are described below.

### *Fixed part*

The fixed salary (monthly salary) should be attractive in relation to the market and based on the employee's skills, experience and performance. The salary is evaluated annually. Senior executives do not receive remuneration for Board assignments in the group.

### *Variable part*

In addition to the fixed salary, variable remuneration can be paid to senior executives. Variable remuneration can be paid at an amount corresponding to a maximum of 12 monthly salaries. At the maximum outcome, the variable portion represents 50 per cent of the total remuneration (fixed and variable salary).

Variable remuneration shall be linked to set targets and shall be partly based on individual performance and partly on the company's development and earnings, and shall be designed to promote the company's business strategy and long-term interests, including the company's sustainability targets. The targets for variable remuneration should be related to the outcome of the company's financial targets as well as individual targets. The financial targets are set by the Board with a view to ensuring that they are in line with the company's business strategy and financial targets. The individual targets are used to ensure focus on non-financial targets of particular interest. The set targets should be measured over a calendar year. After the end of the calendar year, the extent to which the set targets have been met shall be assessed through an overall assessment. The Board is responsible for this overall assessment; however, the CEO assesses the outcome regarding individual targets for reporting to and decision by the Board. Note that a fixed bonus agreement occurs in one case. See the Guidelines for salary and other remuneration adopted by the 2020 Annual General Meeting.

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Additional variable remuneration may be paid in exceptional circumstances, provided that such extraordinary arrangements are time-limited and made only at an individual level, either for the purpose of recruiting or retaining executives, or as remuneration for extraordinary work in addition to the person's ordinary duties. Such remuneration may not exceed an amount corresponding to a maximum of 50 per cent of the total fixed portion of the remuneration and may not be paid more than once a year and per individual. A decision on such remuneration shall be made by the Board.

## *Remuneration to Board members*

In special cases, Board members elected by the Annual General Meeting shall be able to receive remuneration and other remuneration for work performed on behalf of the company, in addition to the work of the Board. If necessary, such services shall be subject to a market-based fee, which shall be approved by the Board.

## *Pensions and other benefits*

Pension conditions must be market-based and based on defined contribution pension solutions. Individuals in the group of senior executives have a defined contribution pension, with no other obligations from the company other than paying an annual premium during the period of employment.

For the CEO and other senior executives, pension benefits and private health insurance must be premium-determined. Variable cash remunerations (bonuses) shall not be pensionable.

The pension premiums for defined contribution pension correspond to the ITP plan and amount to 4.5 per cent of the fixed annual cash remuneration up to 7.5 income base amounts and 30 per cent of the fixed annual cash remuneration exceeding 7.5 income base amounts. However, the pension premiums for defined contribution pensions shall amount to a maximum of 35 per cent of the fixed part of the remuneration.

Other benefits shall be of limited scope and may, amongst others, include life insurance and car insurance. These benefits shall constitute a minor part of the total remuneration and amount to a maximum of 10 percent of the fixed part of the remuneration and be in line with what is market-based.

The company has no employment conditions that are governed by rules other than Swedish.

## *Conditions for termination of employment*

The retirement age shall normally be 65. The notice period for the CEO from the company shall not exceed 12 months. The notice period for other senior executives shall not exceed 6 months. In the event of termination by the CEO, the period of notice is 12 months, and by senior executives a maximum of 6 months.

Conditions for a non-competition clause and remuneration after termination of employment are available to the CEO. Remuneration as a result of the non-competition clause shall, in total, not exceed an amount corresponding to 60 per cent of the previous monthly income at the time of termination of employment (average monthly income for the twelve months preceding the termination of employment). Such remuneration shall compensate for any loss of income during the period covered by the restriction of competition, which shall not exceed twelve months after termination of employment.

## *Incentive schemes*

In order to strengthen long-term decision-making and ensure long-term target fulfilment, the Board of Directors may propose the General Meeting to decide on incentive schemes.

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## *Salaries and terms of employment for other employees*

In preparing this proposal for guidelines, the salaries and terms of employment of all the company's employees have been taken into account by the fact that information on employees' total remuneration, remuneration components and the increase and increase ceiling in remuneration over time, has formed part of the Board's decision basis when evaluating the reasonableness of the guidelines and the limitations that follow these. The development will be reported in the remuneration report for the relevant year.

## *The decision-making process to establish, review and implement the guidelines*

Given the size of the company and the scope of the business, the company has chosen not to set up a remuneration committee but has found that it is more appropriate that issues regarding remuneration and terms of employment for the company management be handled by the Board in its entirety. If a Board member is a member of the executive management, he/she must not participate in this part of the work. The Board of Directors shall have a remuneration policy regarding remuneration and terms of employment for senior executives.

The Board of Directors shall prepare proposals for new guidelines at least every four years and submit the proposals for resolution at the Annual General Meeting. The guidelines shall apply until new guidelines have been adopted by the Annual General Meeting. It is also the Board's responsibility to monitor and evaluate any schemes for variable remuneration for the company management, the application of the guidelines, as well as applicable remuneration structures and remuneration levels in the company.

In the Board's treatment of, and decisions on, remuneration-related issues, the CEO or other members of the company management do not attend, insofar as they are affected by the questions. In all decisions, it is ensured that conflicts of interest are counteracted and that any conflicts of interest are handled in accordance with the company's conflict of interest policy.

## *Deviation from the guidelines*

The Board of Directors may decide to temporarily deviate from the guidelines in whole or in part, if there are special reasons for this in an individual case and a deviation is necessary to meet the company's long-term interests.

## *Description of changes to the guidelines*

The content of the guidelines has been reviewed and adjusted to remove descriptions of person-specific conditions after changing CEO. The changes are not considered to be of significant nature.

## *Other*

The annual report lists the total remuneration and other benefits paid to the senior executives during the year. The remuneration report further specifies this for the CEO and Deputy CEO.

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Stockholm, March 2021  
**Magnolia Bostad AB (publ)**  
*The Board of Directors*