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THE BOARD'S PROPOSED GUIDELINES FOR REMUNERATION PAYABLE TO SENIOR EXECUTIVES

The board proposes that the following guidelines for determining terms of employment and remuneration payable to senior executives be adopted at the annual general meeting on 10 May 2019, for the period up to and including the next annual general meeting. Senior executives means members of the company's management team. The guidelines apply to agreements entered into after the resolution by the general meeting and if changes are made in existing agreements after this time.

The company has chosen, considering the size and the scope of its business, not to establish a remuneration committee and has concluded that remuneration matters are more appropriately handled by the board as a whole.

In order to attract and retain competent employees and executives the salary should be competitive and be at market level and it should comprise a fixed part and a variable part.

The fixed part of the salary is revised at the beginning of the calendar year. The fixed salary should be based on factors such as position, competence, experience and performance. In this assessment it should be taken into account that the company is in an expansive phase rather than in an administrative phase.

Senior executives may receive variable remuneration in the form of a bonus that may total at most 12 months' fixed base salary. The bonus should be based on defined targets, related to the company's financial result as well as to individual performance. Variable remuneration is paid as non-pensionable salary.

The total cost for the payments to senior executives amounted in 2018 to a total of approximately MSEK 6 (including costs for social security contribution). Conditions governing pension should be in accordance with market practice and be based on defined contribution pension agreements. There are conditions for the CEO, governing non-compete obligations and remuneration after served employment. Remuneration due to the non-compete obligation should not exceed a total amount of 60 per cent of one years fixed salary. The company's period of notice for the CEO is 12 months.

All senior executives should, in addition to salary, variable remuneration and pension, receive health care insurance and in some cases a company car. These benefits should comprise a minor portion of total remuneration and should be in line with market practice.

The board may deviate from the guidelines adopted by the general meeting in individual cases where particular reasons or needs exist.

The board shall propose guidelines for remuneration payable to senior executives to every annual general meeting. The board shall take into account changes in the company's size, business, management and ownership structure that may motive alterations of the guidelines. The guidelines are adopted by the annual general meeting. Remuneration to the senior executives are proposed and approved in accordance with the board's rules of procedure.

Estimated cost for variable payments

The total cost for the variable payments to senior executives in accordance with the board's proposal, may in 2019 amount to a total of MSEK 15 (including costs for social security contribution). Costs are based on existing remuneration levels and maximum utilization, and that defined targets required for remuneration are achieved. The estimated costs are based on the current number of senior executives. The employment agreement of the CEO, Fredrik Lidjan, does not allow for any variable remuneration.

According to the guidelines for remuneration payable to senior executives resolved by the annual general meeting 2018 the board of Magnolia Bostad AB was authorised to deviate from the guidelines adopted by the general meeting if particular reasons exists in an individual case. The authorisation has been used once in 2018 when appointing a new head of business generation. See *The board's report on its evaluation of remuneration payable to senior executives*.

Stockholm in March 2019
Magnolia Bostad AB (publ)
The Board of Directors