

# MAGNOLIA

## **REMUNERATION REPORT FOR MAGNOLIA BOSTAD AB - 2020**

### **Introduction**

This report describes how the guidelines for salary and other remuneration to the senior executives, adopted by the annual general meeting 2020, were implemented during the year. The report provides information on remuneration to the CEO and Deputy CEO and a summary of the outstanding share- and share price-related incentive programs in the company.

The report has been prepared in accordance with the Swedish Companies Act (2005:551) and the Remuneration Rules issued by the Swedish Corporate Governance Board<sup>1</sup>.

Further information on executive remuneration is available in note 9 on pages 109-110 in the annual report 2020, and in the Corporate Governance Report available on page 140 in the annual report.

Remuneration to the Board of Directors is not covered by this report. Such remuneration is resolved annually by the annual general meeting and disclosed on page 140 in the annual report for 2020.

### **Key events 2020**

The CEO summarizes the financial year 2020 and the company's overall performance in his statement on page 6-7 in the annual report 2020. The summary provides information regarding the key elements which have had an impact on the remuneration during the financial year.

### **The company's remuneration guidelines: scope, purpose and deviations**

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. The company's remuneration guidelines enable senior executives to be offered a competitive total remuneration. According to the remuneration guidelines the remuneration to senior executives shall be market-based and can consist of a fixed part and a variable part, as well as pensions and other benefits. 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 most recently resolved remuneration guidelines are found on pages 80-83 in the annual report for 2020. During 2020, the company has complied with the applicable remuneration guidelines adopted by the general meeting. During the financial year there have been no deviations from the guidelines or from the procedure for the implementation of the guidelines. The company's auditor must comment on whether the remuneration guidelines have been followed. Auditor's report regarding the remuneration guidelines of 2020 till be made available on the company's website along with other relevant documents before the annual general meeting 2021.

No remuneration has been reclaimed from the company during the financial year. In addition to remuneration covered by the remuneration guidelines, previous general meetings of the company have resolved to implement incentive programs, see below.

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**Table 1 – Total remuneration to senior executives in 2020 (MSEK)\***

Name and position of the senior executive	1. Fixed remuneration		2. Variable remuneration***		3. Extraordinary items****	4. Pension expenses*****	5. Total remuneration*****	6. Proportion of fixed and variable remuneration*****
	Fixed salary	Fringe benefits**	Annual	Long term				
<b>Fredrik Lidjan (CEO)</b>	2,124,960*	2,442				545,706	2,673,108	100% 0%
<b>Johan Tengelin (CEO)</b>	250,000*	12,354	125,000			65,604	452,958	72% 28%
<b>Gurmo Endale (Deputy CEO)</b>	1,584,960*	78,852	1,560,000		390,000	362,492	3,976,304	51% 49%

\* With the exception of long-term variable remuneration, the table reports remuneration earned in 2020. The remuneration reported is paid during the financial year (or refers to the financial year). Fredrik Lidjan worked as CEO during January to November and was thereafter employed until December 2020. Johan Tengelin worked as CEO during December 2020.

\*\*Fringe benefits refer to healthcare and accident insurance. In addition, Gurmo Endale and Johan Tengelin have a car lease that is included in the amount.

\*\*\*It is noted that CEO Fredrik Lidjan has not had variable remuneration. For Johan Tengelin agreed variable remuneration applies. For Gurmo Endale, agreed fixed variable remuneration applies, see the Guidelines for salary and other remuneration adopted by the annual general meeting 2020. See further comment on table 4 below.

\*\*\*\*Performance-based remuneration (one-time bonus) for the year 2020 decided by the Board of Directors.

\*\*\*\*\*Pension costs are premium-determined and have been stated as fixed remuneration.

\*\*\*\*\*Total remuneration, including fixed and variable remuneration, and occupational pension (column 1-5)

\*\*\*\*\*Pension costs (column 4) that only relate to fixed salary and are premium-determined, have been calculated entirely as fixed remuneration.

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## Share based remuneration – Outstanding incentive programs

### Table 2 – Share options awarded or due during the financial year

Comment:

In previous years, the company has used long-term incentives in order to promote the company's long-term financial interests by encouraging an ownership interest in the company. This promotes the company's business strategy and enables shareholders and affected employees to have the same long-term goals as well as a common view on sustainability issues.

The company has introduced two share option programs, at the annual general meeting 2017 and at the annual general meeting 2019.

The annual general meeting 2017 resolved to issue 350,000 warrants to the subsidiary, Magnolia Utveckling AB. During 2018, 260,500 warrants were transferred to employees at the market-based price in accordance with the terms of the warrant program. 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 canceled during 2019. Each warrant entitles the holder to the right 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 2019 resolved to issue 200,000 warrants to the subsidiary Magnolia Utveckling AB. During 2019, 170,000 warrants were transferred to key people at the market-based price in accordance with the terms of the warrants program. In 2020, the remaining 30,000 warrants in the program were transferred from the subsidiary Magnolia Utveckling AB to the CEO Johan Tengelin. Each warrant entitles the holder to the right 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

Former CEO Fredrik Lidjan has not acquired any warrants in any of the programs.  
CEO Johan Tengelin has in 2020 acquired 30,000 warrants in the program from 2019.  
Deputy CEO Gurmo Endale has in 2019 acquired 40,000 warrants in the program from 2019.

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Name and position of the senior executive	The main terms for the warrant programs							Information connected to the financial year					
								Opening balance	During the year		Closing balance		
	1. Specification	2. Performance period	3. Award date	4. Vesting date	5. End of retention period	6. Exercise period	7. Strike price	8. Warrants held at beginning of year	9. Warrants awarded	10. Warrants vested	11. Warrants subject to performance conditions	12. Unvested warrants	13. Warrants subject to retention period
<b>Fredrik Lidjan (CEO)</b>	n/a												
<b>Johan Tengelin (CEO)</b>	n/a												
<b>Gurmo Endale (Deputy CEO)</b>	n/a												
							<b>TOTAL</b>	<b>TOTAL</b>	<b>TOTAL</b>	<b>TOTAL</b>	<b>TOTAL</b>	<b>TOTAL</b>	<b>TOTAL</b>

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**Table 3 –Shares awarded or due during the financial years n/a for the year 2020**

Comment:

No shares in the company have been awarded or fallen due during the financial year.

Name and position of the senior executive	The main terms for the share award plans (Sw: aktieutdelningsplanerna)					Information connected to the financial year					
						Opening balance	During the year		Closing balance		
	1. Specification	2. Performance period	3. Award date	4. Vesting date	5. End of retention period	8. Shares held at beginning of year	9. Shares awarded	10. Shares vested	11. Shares subject to performance condition	12. Unvested shares	13. Shares subject to retention period
<b>Fredrik Lidjan (CEO)</b>	n/a										
<b>Johan Tengelin (CEO)</b>	n/a										
<b>Gurmo Engdale (Deputy CEO)</b>	n/a										

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## Application of performance criteria for variable remuneration

**Table 4 – Performance of executives during the financial year [n/a 2020]**

Comment:

Former CEO Fredrik Lidjan has only had a fixed salary. No variable remuneration has been paid.

CEO Johan Tengelin took office on 1 December 2020. It is noted that no assessment criteria have been set for 2020, but the remuneration has been decided in the light of the work Johan Tengelin did before and after taking office on 1 December 2020.

Deputy CEO Gurmo Endale is entitled to a fixed bonus for the year 2020 and no set performance criteria have been applied. See further comment on table 1.

Name and position of the senior executive	1. Description of the performance criteria and type of applicable remuneration	2. Relative weighting of the performance criteria	3. Information on Performance Targets		4. a) Measured performance and b) Actual award/remuneration outcome
			a) Minimum target, and b) Corresponding award	a) Maximum target, and b) Corresponding award	
<b>Fredrik Lidjan (CEO)</b>	n/a				
<b>Johan Tengelin (CEO)</b>	n/a				
<b>Gurmo Endale (vice VD)</b>	n/a				

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**Table 5 - Comparative table over the remuneration and company performance over the last five reported financial years<sup>2</sup>**

Annual change	RFY*-4 vs RFY-5	RFY-3 vs RFY-4	RFY-2 vs RFY-3	RFY-1 vs RFY-2	RFY vs RFY-1	Information regarding the current financial year
<b>The senior executives remuneration**</b>						
<b>Fredrik Lidjan (CEO)</b>	-	-	0%	0%	0%	2,915,979
<b>Johan Tengelin (CEO)</b>	-	-	-	-	-	5,435,496
<b>Gurmo Endale (Deputy CEO)</b>	-	-	-	-	755,400 (+23%)	3,976,304
<b>Erik Rune (Deputy CEO)</b>	-	1,159,361 (+44%)	142,213 (+4%)	-92,265 (-2%)	-	n/a
<b>Rickard Langerfors (Deputy CEO)</b>	-	299,258 (+13%)	320,051 (+12%)	-	-	n/a
<b>Company performance</b>						
<b>Group operating profit</b>	- 3,000,00 (-1%)	- 29,000,000 (+8%)	- 220,000,000 (-57%)	+ 202,000,000 (+123%)	+ 540,000,000 (+148%)	906,000,000
<b>Average remuneration for employees calculated in full-time employment</b>						
<b>Average remuneration for employees calculated in full-time employment; for employees*** in the parent company</b>	+ 640,760 (+30%)	+ 562,367 (+20%)	+ 154,591 (+5%)	+ 74,510 (+2%)	+ 9,497 (+0%)	3,571,724

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Annual change	RFY*-4 vs RFY-5	RFY-3 vs RFY-4	RFY-2 vs RFY-3	RFY-1 vs RFY-2	RFY vs RFY-1	Information regarding the current financial year
<b>Average remuneration for employees calculated in full-time employment; for employees**** in the parent company</b>	-153,142 (-18%)	+ 263,073 (+38%)	+ 60,007 (+6%)	- 147,128 (-15%)	+ 154,441 (+18%)	1,038,085

\*RFY- Reported Financial Year

\*\*The amounts are calculated for full years. It is noted that Gurmo Endale was appointed Deputy CEO in October 2019, that Fredrik Lidjan worked as CEO until November 2020 and that Johan Tengelin took office as CEO in December 2020. The calculations regarding Erik Rune and Rickard Langerfors refers to the years 2016-2019, whereby Erik Rune was Deputy CEO during the years 2016 to October 2019 and Rickard Langerfors was Deputy CEO between 2016 and January 2019.

\*\*\*The company's employees in the parent company, in 2020 one (1) person. Employees on average in year 2019, 2 persons, in year 2018, 2 persons, in year 2017, 2 persons and in year 2016, 1 person.

\*\*\*\*Employees in group companies state the average remuneration for employees in group companies (i.e. in the group as a whole) calculated in full-time employment. Average remuneration for employees includes fixed and variable salary as well as pension benefits, other benefits are not included in the stated amounts. The amounts given indicate the sum excluding the CEO and Deputy CEO but including other persons who have been part of the group management. Employees on average in year 2020, 102.54 persons, in year 2019, 93.63 persons, in year 2018, 68.84 persons, in year 2017, 49.89 persons and in year 2016, 40.89 persons. Note that the amounts for 2016 (RFY-4 vs RFY-5) have been estimated.