Corporate governance report for the 2017 financial year

CORPORATE GOVERNANCE PRINCIPLES

In addition to the rules laid down by law or regulation, JM applies the Swedish Code of Corporate Governance (the Code). JM complies with the Code without exception.

Through detailed and transparent accounting, JM will increase the knowledge of shareholders and other stakeholders about how the Board of Directors and the Executive Management operate in order to ensure that shareholders' demands for return on invested capital are met. Priority areas for long-term value creation include high ethical standards, JM's core values and code of conduct, professionalism, transparency and JM's contribution to social development.

JM has been implementing a long-term and systematic project over the past few years to continuously develop its internal governance and control. This project has resulted in, for example, additional enhancements to the company's governance and control with regard to investment, selling and production decisions as well as governance and control during the project implementation phase. Internal governance and control are also exercised through the systematic committee work of the Board. In order to promote the development of the Board, an annual assessment of the Board's work is conducted.

GENERAL MEETING

The General Meeting, which is the Company's highest decision-making body, gives all shareholders the possibility to participate and exercise their influence. The Annual General Meeting (the general meeting at which the Annual Report and the auditors' report on the consolidated accounts are presented) addresses the company's developments, and decisions are made on several key issues, such as dividends, discharge of responsibility for the Board, election of auditors, remuneration for the Board and auditors and election of new Board members for the period extending to the next Annual General Meeting.

The Company publishes notification of the Annual General Meeting no earlier than six weeks and no later than four weeks before the meeting. The Company announces the time and place of the Annual General Meeting in connection with the Q3 report, usually in late October. The possibility of foreign shareholders following or participating in the Annual General Meeting through simultaneous interpretation or translation of presented materials into other languages has not been considered necessary since to date, such shareholders have had Swedish representation.

The 2017 Annual General Meeting was held on April 27. A total of 329 shareholders were represented, representing about 45 percent of the total votes. Minutes from the Annual General Meeting can be found on JM's website (jm.se). One of the resolutions made by the 2017 Annual General Meeting was to authorize the Board to decide on the acquisition of own shares. The 2018 Annual General Meeting will be held on April 12.

None of the shareholders have a direct or indirect holding in the Company representing at least one-tenth of the voting rights for all shares in the Company. JM's Articles of Association do not limit shareholders' voting rights for any owned or represented shares. The Articles of Association do not contain any provisions on the appointment and dismissal of Board members or on amendments to the articles.

JM does not apply any special arrangements relating to the function of the general meeting of shareholders, either due to provisions in the Articles of Association or, as far as is known to the Company, shareholder agreements.

Nomination Committee

The Nomination Committee is a body elected by the Company's Annual General Meeting that is tasked with nominating Board members, a Chairperson of the Board and auditing company as well as proposing fees for the Board and the committees of the Board prior to the Annual General Meeting. The work of the Nomination Committee is governed by the instructions for the Nomination Committee as adopted by the Annual General Meeting. This committee consists of representatives for the four largest shareholders in the Company that wish to participate. The Chairperson of the Board is the fifth member and convenes the meeting. The Nomination Committee's task is mainly to submit proposals for Board members and their remuneration and to submit proposals for election of and remuneration to auditors.

The Chairperson of the Board convened the Nomination Committee for the 2018 Annual General Meeting in August 2017, and the Committee consists of the following people:

Åsa Nisell, Swedbank Robur Fonder
Hans Ek, SEB Fonder
Anders Algotsson, AFA Försäkringar
Carina Lundberg Markow, Folksam
Fredrik Persson, Chairperson of the Board of JM.

The Nomination Committee represented approximately 15.5 percent of the total number of JM shares when it was convened. Åsa Nisell is Chairperson of the Nomination Committee. The Nomination Committee held three minuted meetings and also corresponded by email and telephone. Members of the Nomination Committee have not received any compensation from JM.

Auditors

Following a proposal by the Nomination Committee, the 2017 Annual General Meeting elected PricewaterhouseCoopers AB to be the new auditor. The election covers the period up until the end of the 2018 Annual General Meeting. Auditor-in-charge is Håkan Malmström and the auditor's report is also signed by Ann-Christine Hägglund. They have no other assignments that affect their independence as an auditor for JM. Information about the auditing company's services to JM in addition to auditing is provided in Note 5 on page 90.

JM's BOARD OF DIRECTORS

Composition

According to the Articles of Association, JM's Board of Directors shall consist of a minimum of five and a maximum of nine members. No deputies shall be appointed. The members of the Board of Directors are elected by the Annual General Meeting for one year at a time. In addition, the employee organizations are legally entitled to appoint two ordinary members as well as two deputies.

The Nomination Committee has applied Code Rule 4.1 as its diversity policy for the Board. The Nomination Committee determined the following in its reasoned statement prior to the 2017 Annual General Meeting: Given the Company's operations, development stage and circumstances in general, the composition of the proposed Board is appropriate and features diversity and breadth with regard to the members' competence, experience and background. JM has had an even gender distribution in its Board of Directors for many years, and the proposed members include three women and four men (43 percent and 57 percent, respectively). The Nomination Committee's proposed Board of Directors thus fulfills the requirements of the Code for an even gender distribution. It is the assessment of the Nomination Committee that significant skills and areas of experience for JM's Board of Directors include project development and construction activities, architecture, marketing, brand issues, finance and knowledge of the markets in Sweden, Norway and Finland. The Nomination Committee believes that the proposed new-elects will bring valuable skills to JM. Fredrik Persson has considerable experience from different consumer-based industries and finance as well as solid experience as a Board member, including as a Chairperson. Olav Line has many years of experience working in the management of real estate development companies primarily in Norway.

The 2017 Annual General Meeting elected the seven members proposed by the Nomination Committee. The employee organizations appointed two members and two deputies. The composition of the Board of Directors can be seen below, as can participation in committees (A = Audit Committee, C = Compensation Committee, I = Investment Committee). Attendance during the 2017 calendar year is also presented.

The Board of Directors held twelve meetings. The Audit Committee held seven meetings. The Compensation Committee held four meetings. The Investment Committee held six meetings.

Name	Function	Elected	Committee	Attendance Board	Attendance Comm.
Fredrik Persson[1]	Chairperson	2017	(Chair) C	8	C 3
Lars Lundquist[2]	Chairperson	2005	(Chair) C	4	C 1
Kaj-Gustaf Bergh	Member	2013	–	12	–
Olav Line[1]	Member	2017	I	7	I 5
Eva Nygren	Member	2013	I C	12	I 6 C 4
Kia Orback Pettersson	Member	2010	A	12	A 7
Åsa Söderström Jerring	Member	2007	(Chair) I A	12	I 6 A 7
Thomas Thuresson	Member	2016	(Chair) A	10	A 7
Thomas Mattsson	Emp. rep.	2012	–	12	
Jan Strömberg	Emp. rep.	2011	–	12	
Peter Olsson	Emp. rep., dep.	2014	–	8[3]	
Jonny Änges	Emp. rep., dep.	2015	–	9[3]	

1) Fredrik Persson and Olav Line were elected to the Board of Directors by the 2017 Annual General Meeting.
2) In 2017, Lars Lundquist was Chairperson of the Board and a Board Member up until the Annual General Meeting.
Lars Lundquist was Chairperson of the Compensation Committee up until the Annual General Meeting.
3) Deputy employee representatives do not attend decisions per capsulam.

Independent

All members elected at the Annual General Meeting are to be considered independent in relation to the Company and all are independent in relation to the owners. Employee representatives are not independent of the Company.

Duties/Responsibilities

Work of the Board of Directors

The Board's duties concern strategic issues such as JM's business concept, key policies, the market, finance and financial position, internal control and risk management, personnel, leadership and decisions concerning production starts of projects, acquisition and sale of development properties and project properties.

New-elects to the Board of Directors are introduced to the company's operations and the work of the Board as required and according to that above.

BOARD MEETINGS 2017

FEBRUARY
Year-end Report, matters for the Annual General Meeting, review session with auditors, remuneration system, Annual Report. Decisions on housing starts, property acquisition and sale of shares in SMÅA AB

MARCH
Matters for the Annual General Meeting (convertible program/notice)

APRIL
Interim report for January–March
Statutory meeting following the Annual General Meeting; Decisions on members for the Audit Committee, Compensation Committee and Investment Committee

MAY
Visit at JM Norway and construction sites in Oslo, decision on rules of procedure, decision on policies, trainee program

JUNE
Decision on housing starts and property acquisition

JULY
Interim report for January–June

SEPTEMBER
Decision on housing starts, property acquisitions and submission of tenders for external contracting

OCTOBER
Strategy meeting. Interim report for January–September, competence development, review session with auditors

DECEMBER
Decision on housing starts, evaluation of the Board of Directors and President

JAN | FEB | MAR | APRIL | MAY | JUNE | JULY | AUG | SEPT | OCT | NOV | DEC

Fixed items on the agenda of ordinary Board meetings include a status report from the President and updates from the Committees.

BOARD OF DIRECTORS AND AUDITORS

Fredrik Persson
Chairperson of the Board and Chairperson of the Compensation Committee.
Elected to the Board in 2017
Shares in JM: 2,000
Born: 1968
Education: MSc. Econ., Stockholm School of Economics.
Work experience: Long career at Axel Johnson AB, including as CFO and as President and CEO. Previously at Aros Securities and ABB Financial Services. **Other significant assignments:** Chairman of the Board of the Confederation of Swedish Enterprise. Board member of Electrolux, Hufvudstaden, Ahlström Capital OY and Nasdaq Stockholm AB's Company Committee. **Independent:** The Board member is considered to be independent in relation to the Company and its management as well as major shareholders in the Company.

Kaj-Gustaf Bergh
Board member
Elected to the Board in 2013
Shares in JM: 2,500
Born: 1955
Education: LL.M. and B.Sc. Econ.
Work experience: 15 years at Gyllenberg and SEB. **Other significant assignments:** CEO at Foreningen Konstsamfundet in Finland. Chairperson of the Board of Sponda, Stockmann, Julius Tallberg and KSF Media. Member of the Board of Ramirent and Wärtsilä. **Independent:** The Board member is considered to be independent.

Olav Line
Board member and member of the Investment Committee.
Elected to the Board in 2017
Shares in JM: 0
Born: 1958
Education: MSc. Eng, NTH (NTNU), Trondheim.
Work experience: 30 years of experience from the property industry in Norway and Scandinavia, such as CEO of Rom Eiendom AS, Steen & Strøm AS and Norwegian Property AS. **Other significant assignments:** CEO of Mustad Eiendom AS.
Independent: The Board member is considered to be independent.

Eva Nygren
Board member and member of the Investment Committee and the Compensation Committee.
Elected to the Board in 2013
Shares in JM: 500
Born: 1955
Education: Architect, Chalmers University of Technology.
Work experience: 37 years of experience in the building and civil engineering industry, including as Director of Investment, Swedish Transport Administration, President and CEO of Rejlers and President of SWECO Sverige. **Other significant assignments:** Chairperson of Brandkonsulten AB. Member of the Board of Uponor OY, Troax Group AB, Ballingslöv International AB, Nye Veier AS, Nobelhuset AB, Tyréns AB and Kvarkenhamnar AB.
Independent: The Board member is considered to be independent.

Kia Orback Pettersson
Board member and member of the Audit Committee.
Elected to the Board in 2010
Shares in JM: 3,540
Born: 1959
Education: MSc. Econ., Lund University.
Work experience: 20 years of experience from leading positions within retail, real estate and media, including as President of Sturegallerian and VP of Guldfynd/Hallbergs. **Other significant assignments:** Partner of Konceptverkstan. Chairperson of the Board of Directors of Teracom Group AB, Mediaplanet, S.t Eriks VC and Riksdalen. Board member of Kungsleden AB, Odd Molly AB, Visual Art AB and Omegapoint.
Independent: The Board member is considered to be independent.

Åsa Söderström Jerring
Member of the Board, Chairperson of the Investment Committee and member of the Audit Committee.
Elected to the Board in 2007
Shares in JM: 10,100
Born: 1957
Education: MSc. Econ., Stockholm University.
Work experience: 25 years of experience from the building and real estate industry in various positions such as Communications Manager at NCC Bygg, President at Ballast Väst and President at SWECO Theorells. **Other significant assignments:** Chairperson of the Board of Delete OY and Scanmast AB. Member of the Board of Vattenfall AB, OEM International AB, Balco Group AB, FIBO AS and Nordic Home Improvement AB.
Independent: The Board member is considered to be independent.

Thomas Thuresson
Board member and Chairperson of the Audit Committee.
Elected to the Board in 2016
Shares in JM: 500
Born: 1957
Education: MSc. Econ., Lund University. IMD (BPSE).
Work experience: 29 years in different positions within the Alfa Laval Group, most recently as CFO. **Independent:** The Board member is considered to be independent.

Shareholdings pertain to personal holdings or a related natural or legal person's holdings of JM AB shares and other financial instruments as at 2/16/2018.

EMPLOYEE REPRESENTATIVES

Thomas Mattsson
Constructor
Born: 1962. Member of the Board since 2014.
Shares in JM: 50
Convertibles: SEK 0

Jan Strömberg
MSc. Eng.
Born: 1959. Member of the Board since 2015.
Shares in JM: 2,698
Convertibles: SEK 774,223

Peter Olsson
Carpenter
Born: 1977. Deputy member of the Board since 2014.
Shares in JM: 0
Convertibles: SEK 0

Jonny Änges
Construction engineer
Born: 1962. Deputy member of the Board since 2015.
Shares in JM: 0
Convertibles: SEK 0

SECRETARY TO THE BOARD

Maria Bäckman
Chief Legal Counsel at JM AB
Born: 1973
Secretary to the Board of Directors since 2012.
Shares in JM: 750
Convertibles: SEK 0

AUDITORS – PricewaterhouseCoopers AB

Håkan Malmström, Authorized Public Accountant, Auditor-in-charge. Born in 1965. Other assignments: Auditor-in-charge at Axel Johnson, NCC and Nordstjernan and others.

Ann-Christine Hägglund, Authorized Public Accountant.
Born in 1966. Other assignments: Auditor-in-charge at Business Sweden, Byggmax, Lernia and others.

The Annual General Meeting held in April 2017 elected PwC auditor of JM AB.

The most important governing documents are:
- Strategic focus
- Articles of Association
- Rules of Procedure for the Board of Directors, Instructions for the Allocation of Duties between the Board and the President, and Instructions for Financial Reporting
- JM's policies (Sustainability Policy, Quality Policy, Environmental Policy, Employee Policy, Work Environment Policy, Communication Policy, Financial Policy, Tax Policy and Purchasing Policy)
- JM's Ethical Guidelines, Guidelines for Communication and Guidelines for Procurement.

Duties of the Chairperson of the Board of Directors

The Chairperson of JM's Board of Directors has ultimate responsibility for the Company complying with the established strategic focus. In this context, the Chairperson has regular contact with the Company's President and serves as a discussion partner to the President. The work of the Chairperson otherwise complies with the requirements of the Code.

Secretary to the Board

The Company's General Counsel is the Secretary to the Board. The General Counsel is not a member of the Board of Directors.

Evaluation by the Board of its own work

The performance of the Board of Directors is evaluated every fall. In 2017, the evaluation consisted of a paper survey that was sent to all Board members. The results of the evaluation were discussed and presented to the Board and the Nomination Committee.

The Board's evaluation of the President

The Board of Directors evaluates the President's performance annually. In 2017, the evaluation consisted of a paper survey that was sent to all Board members. The results of the evaluation of the President were discussed and presented to the Board.

Important matters during 2017

The Board of Directors made the following decisions and others in 2017:
- The Board of Directors held a separate strategy meeting at which it adopted the strategic plan for the Company and decided on a new vision, business idea and customer promise
- The Board of Directors decided on housing starts for six residential projects, which have an estimated total project expense exceeding the maximum level delegated to the President of either SEK 400m in the total project expense or SEK 400m in project expense per phase
- The Board of Directors decided on four acquisitions of development properties (one of which is in Finland), which have a purchase sum exceeding the maximum level delegated to the President of SEK 100m
- The Board decided on the sale of the shares in Småa AB
- The Board decided on the digitalization strategy for, among others, BIM
- The Board decided to propose that the Annual General Meeting authorize the Board to decide on acquisition of own shares for the period up to the next Annual General Meeting. Following a resolution by the Annual General Meeting to grant the Board authorization, a decision was made to acquire own shares. The Board also decided to propose to the Annual General Meeting that the Meeting resolve on the elimination of own shares through a decrease in the share capital for allocation to unrestricted equity
- The Board decided on short-term and long-term variable salary programs and proposed to the Annual General Meeting a convertible debenture program for all employees in Sweden
- The Board decided on JM's existing policies and guidelines.

The duties of the committees

The committees usually meet in conjunction with Board meetings or when necessary. Minutes are kept and shared with the Board of Directors and the auditors. Verbal accounts are provided at Board meetings about the topics discussed at committee meetings. There is no delegated right of decision with the exception of:
- The Compensation Committee, which approves salaries and other terms and conditions for Executive Management, excluding the President
- The Audit Committee approves fees and compensation to the external auditors for auditing work as well as the external auditor's provision of services other than auditing. The Audit Committee initiates more in-depth initiatives in selected areas or projects.

With the exception of Kaj-Gustaf Bergh, all members elected at the Annual General Meeting also sit on one or more committees. The Chairperson of the Board chairs the Compensation Committee. The Chairperson of the Audit Committee is Thomas Thuresson and the Chairperson of the Investment Committee is Åsa Söderström Jerring.

The Director of Human Resources reports for the Compensation Committee. Each business unit manager reports for the Investment Committee. The Chief Financial Officer reports for the Audit Committee. The President attends the meetings of the Compensation Committee and the Investment Committee.

Audit Committee

The Audit Committee has three members: Thomas Thuresson (Chairperson), Åsa Söderström Jerring and Kia Orback Pettersson. The Committee held seven meetings during the calendar year.

The work of the Audit Committee during the year was primarily focused on:
- Review and analysis of financial statements, interim reports and Annual Report
- Quality assessment of internal control systems, control procedures, the Internal Audit and risk management
- Review of the audit plan of the external auditors and the Internal Audit in both the short-term and the long-term
- Preparation of the Corporate Governance Report and the Board of Directors' report on internal control of financial reporting
- Recommendation for the election of external auditors in consultation with Executive Management, the Board of Directors and the Nomination Committee prior to the Committee's recommendation for the Annual General Meeting
- Review and monitoring of the auditor's impartiality and independence regarding approval of fees and compensation to the auditors for auditing work as well as advance approval of the auditor's provision of services other than auditing

- Monitored the statutory audit
- Progress reporting and review of areas or projects of special interest
- Reporting and presentation to the Board of Directors of observations noted during review sessions with auditors and management
- Otherwise completed the tasks placed on the Audit Committee according to applicable laws, ordinances and the Swedish Code of Corporate Governance.

Compensation Committee

The Compensation Committee has two members: Fredrik Persson (Chairperson) and Eva Nygren.

The Committee held four meetings during the calendar year.

The Compensation Committee's tasks during the year were to:

- Prepare recommendations for salary, pension benefits and other terms and conditions for the President of the Company
- Prepare recommendations relating to general principles for remuneration to all other employees, especially in terms of variable compensation
- Prepare recommendations for convertible program that will be presented to the Annual General Meeting
- Approve salary and other terms and conditions for the Executive Management (excluding the President), based on Board-approved general principles
- Evaluate current programs for variable compensation for Executive Management as well as those that concluded during the year
- Evaluate the application of the guidelines for remuneration to Executive Management resolved by the Annual General Meeting as well as applicable remuneration structures and remuneration levels in the Company.

Investment Committee

The Investment Committee has three members: Åsa Söderström Jerring (Chairperson), Eva Nygren and Olav Line.

The committee held six meetings during the calendar year.

The Investment Committee's duties during the year, within the framework of JM's order of delegation, have been to:

- Evaluate that the strategy for scope and focus pertaining to development properties and project properties is followed
- Prepare recommendations to purchase or sell development properties and project properties or shares and participations in companies as owner of such properties
- Prepare recommendations relating to investments in existing project properties
- Prepare recommendations relating to housing starts
- Prepare recommendations relating to external contract work.

Financial reporting

The President shall ensure that the Board receives progress reports on JM's operations, including JM's financial performance, financial position and liquidity as well as information about the status of larger projects and other significant events. These reports shall be of such a nature that the Board can make a well-informed evaluation. The financial reports the Board receives are presented in the Communication and Monitoring section on page 118.

The Board of Directors' description of internal control and risk management of financial reporting

Governance structure

The Board has ultimate responsibility for establishing an effective internal control and risk management system. The responsibility for maintaining an effective control environment and regular work with internal control and risk management is delegated to the President. Risk management is an integrated part of decision-making at all levels within JM and incorporated as a natural element in JM's business processes.

For a detailed description of JM's risk management procedures please refer to pages 30–33.

The Board has placed particular focus on effective control structures. The quality of JM's processes and systems for ensuring good internal control is based on the control environment, which includes the Board's adopted rules of procedure and instructions for financial reporting. The Audit Committee enables the Board to facilitate closer contact with the external auditors and Internal Audit, enabling the Board and its committees to learn about the Company's financial position in different ways. The Audit Committee meets four to five times a year. The external auditors also participate in Board meetings twice a year.

The main task of JM's central Internal Audit function is to examine the suitability of the operation and its efficiency by checking compliance with the business-critical requirements of JM's Operations System. JM's Operations System is a comprehensive process-oriented work structure with the purpose of ensuring the efficiency of JM's business processes. The Internal Audit has the special task of examining the financial risks associated with larger projects. The Board ensures that JM has solid project and financial management through the work of Audit Commitee.

As part of the objective to develop standardized working methods and processes within the Group, work is ongoing to achieve Structured Project Development (see page 28 for more information). JM's management and support processes are regularly reviewed as a means to further systematize JM's structural capital in the form of processes, documentation and systems, thus facilitating the work of all employees.

A Code of Conduct has been implemented for JM employees. Its objective is to clarify and provide guidance for the values that should be followed at JM.

A plan was implemented earlier for the follow-up of compliance with JM's Code of Conduct for suppliers.

Control environment

JM's core values and corporate culture comprise the basis of internal controls with respect to financial reporting. Control environment refers to both the infrastructure with system support that was built for internal control and governance as well as JM's core values. The control environment consists, for example, of the organization, channels for decisions, authorities and responsibilities documented and communicated in normative documents such as internal policies, guidelines, manuals and codes. Examples include the allocation of duties between the Board and the President and other bodies the Board establishes, the order of delegation and authorization regulations, instructions for approval powers and accounting and reporting instructions.

Risk assessment

The Company applies a method or process for risk assessment and risk management to ensure that those risks to which the Company is exposed are managed within the established frames and that the risks are handled within the framework of existing processes/systems. JM's Operations System, which describes JM's business from a process perspective with established business-critical requirements, along with procedures for control, monitoring and follow-up of projects, comprises an important element of risk management.

Control activities

The risks identified with respect to financial reporting are managed via the Company's control activities, which are documented in process and procedure descriptions. These are in JM's Operations System, which governs a unified process and the use of a common business system. The purpose of control activities is to continually improve while preventing, detecting and correcting errors and deviations.

Examples of control activities in which risk assessments are managed:
- The Operations System that documents the operation's processes and established business-critical demands
- Project reviews before initiating acquisitions, pre-construction, production and sales starts
- Business committee meetings and Group Executive Management meetings preparing for investments in properties and initiation of residential production projects. Business unit managers, heads of corporate staff units and regional managers/subsidiary managers participate at these meetings (monthly)
- Forecast reviews with business unit managers (quarterly)
- Close monitoring of large projects at which the President, Chief Financial Officer, head of the Internal Audit, business unit manager and regional manager/subsidiary manager participate (quarterly)
- Group management meetings in larger projects (quarterly)
- Board meetings at subsidiaries
- The Internal Audit's review and control of the business-critical requirements and review of the economic risks in the larger projects (ongoing)
- Special review of compliance with JM's Code of Conduct for suppliers through, for example, on-site visits
- Incident reporting system that ensures systematic and professional management of reported irregularities
- Ethical Council, which provides guidance in the event of difficulties interpreting the ethical guidelines and JM's Code of Conduct.

Communication and Follow-up

The Company has implemented information and communication channels to encourage completeness and accuracy in financial reporting; for example, by notifying concerned personnel about normative documents such as internal policies, guidelines, manuals and codes for financial reporting through JM's Intranet and Operations System.

The external auditors report their audit of internal control to the Board once a year in connection with the reporting in the third quarter.

JM's principal normative documents are the Rules of Procedure for the Board of Directors, Instructions for the Allocation of Duties between the Board and the President, Instructions for Financial Reporting and JM's Authorization Regulations.

Other normative documents such as policies, guidelines, instructions and manuals for financial reporting are available on JM's Intranet as well as in the Operations System.

The governance structure can be seen below:

The most important documents for financial reporting are:
- JM's Authorization Regulations
- Schedule and instructions for forecasts and financial statements
- Financial statement and forecast processes
- Instructions for purchases and sales
- Treasury Policy
- Controlling within JM
- Accounting principles
- Procedure descriptions.

The Board of Directors receives financial reports in conjunction with the interim reports. In addition to the outcome and forecast reports, the Audit Committee receives financial audit reports for larger projects. In connection with the delegation rules, the Board of Directors/Investment Committee receive regular acquisition and project estimates, summaries of planned and current projects, investments, and purchases/sales of properties. In addition, the Board of Directors' various Committees serve an important function in follow-up of activities.

The Board follows up and continuously reviews internal control to ensure that it works satisfactorily, in part through the external auditors and in part through the Company's central Internal Audit function. The results of the conducted audits and proposals for any measures that need to be taken are regularly reported to the Audit Committee.

Remuneration to the Board of Directors and Executive Management

After a recommendation from the Nomination Committee, the 2017 Annual General Meeting resolved on unchanged fees in accordance with the following:

- The Chairperson of the Board will be paid a fee of SEK 780,000 and regular members who are not employed by the Company will be paid SEK 330,000
- Remuneration for work in the Audit Committee will be SEK 120,000 to the Chairperson and SEK 90,000 to the members
- Remuneration for work in the Investment Committee will be SEK 80,000 to the Chairperson and SEK 60,000 to the members
- Remuneration for work in the Compensation Committee will be SEK 60,000 to the Chairperson and SEK 60,000 to each member.

Recommendations for remuneration guidelines for JM's Executive Management will be presented for resolution at the 2018 Annual General Meeting as required by the Swedish Companies Act. The Board of Directors will decide on salary, pension benefits and other remuneration for the President, and the Compensation Committee decides on such matters for the Executive Management excluding the President. Information about remuneration guidelines for JM's Executive Management can be found in the Board of Directors' Report on page 70. Information about remuneration to the President and Executive Management can be found in Note 3, page 88 of the Group Notes.

About 500 of JM's managers and leaders, including the President and Executive Management, are covered by a performance-based part of the salary system. The total salary comprises a basic and a variable component with a maximum result for the variable component that, depending on position, varies between one and five monthly salaries. In addition to the financial result of the operations, which carries the greatest weight, the variable salary component is also based on individual target fulfillment, work environment targets and the Customer Satisfaction Index. The principle is that the basic salary combined with a normal result for the variable component should result in a competitive salary. A long-term variable remuneration program is available to approximately 20 key staff members in addition to the Executive Management.

2017 Convertible program

The 2017 Annual General Meeting resolved that JM would raise a debenture loan with a maximum nominal value of SEK 160,000,000 by issuing a maximum of 450,000 convertible debentures aimed at all employees in Sweden.

The purpose of the 2017 Convertible Program is to enhance and strengthen the employee's interest in JM's operations and future financial performance through an ownership commitment. It is the assessment of the Board of Directors that increased employee motivation and participation in JM's operations is in the interest of the Company, the employees and existing shareholders.

Upon expiry of the subscription period, the loan amounts to about SEK 14.5m through the issue of about 35,500 convertible debentures. In accordance with IAS 32, the liability and equity components of the convertible debenture loan are reported separately, which means that the debenture loan is initially reported in the balance sheet as a liability with the nominal amount excluding the equity component. The convertible debenture loan was settled against cash in July 2017.

The subscribed convertible bonds may be converted to one ordinary share at a price of SEK 409. Conversion of convertible bonds may occur during the period from June 1, 2020, through May 18, 2021, with the exclusion of the period January 1 through the record date for dividends each year, or if the Annual General Meeting should not resolve on a dividend one year, the date that falls three banking days after the Annual General Meeting.

Through conversion of convertibles, JM's share capital could increase by a maximum of SEK 35,520 through the issue of a maximum of 35,520 ordinary shares, each with a par value of SEK 1. This corresponds to dilution of about 0.1 percent of the shares and votes in the Company.

The convertible debenture loan falls due for payment on June 19, 2021, insofar as conversion has not already been undertaken.

MANAGEMENT AND COMPANY STRUCTURE

Order of Delegation – President's right of decision

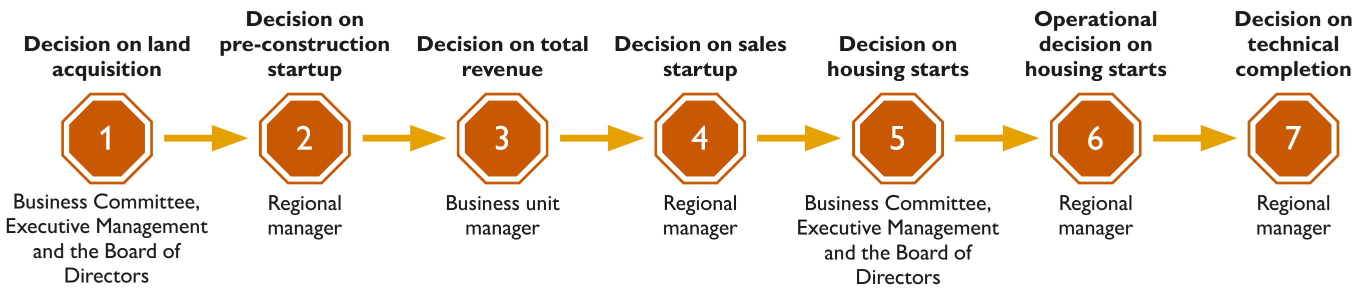
The Board has delegated to the President the right of decision for:

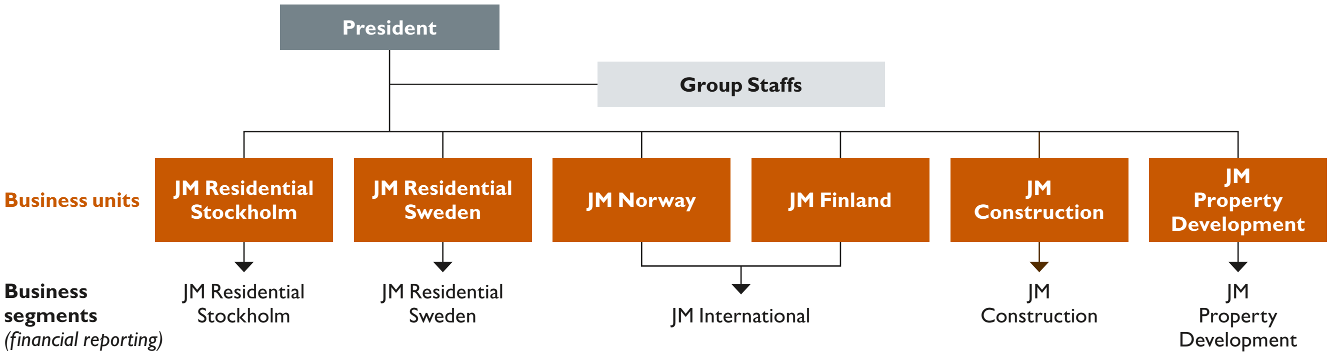
- purchases and sales of development and project properties up to SEK 100m
- investments in existing project property up to SEK 400m for implementation of housing projects, or SEK 200m for implementation of office projects
- housing starts for residential projects, up to a total project expense of SEK 400m excluding the purchase price for the property and housing starts of individual stages up to SEK 400m
- submission of tenders and if won signing external contracting contracts up to SEK 400m
- raising of new loans that are not linked to acquisition of a property, up to a total of SEK 400m per year for loans with a maturity shorter than one year, up to a total of SEK 250m per year for loans with maturities between one and ten years.

The Board makes the decision in other cases. These amounts are chosen to meet the Board's needs to exercise control and management's need for freedom of action. The President has the right to further delegate some of the above decision rights. Matters requiring decisions are prepared in part by the Business Committee, consisting of business unit and regional managers from the entire Group, and by the Executive Management. JM's operational organization can be seen in the above diagram.

The decision process can be seen below:

DECISION GATES IN STRUCTURED PROJECT DEVELOPMENT





Executive Management

JM's business is operationally divided into six business units. Each business unit manager reports directly to the President. In the financial reporting, JM Norway and JM Finland form the JM International business segment.

Executive Management comprises the President, all heads of business units and heads of group staffs, a total of ten people, and meets at least once a month. Management responsibility includes always working to ensure compliance with guidelines issued by the Board and the President.

Governance and report structure

At JM, a large number of projects are in production at any given time. It is not unusual for a project to involve more than 100 people and have estimated volumes of more than SEK 100m. Every project is run by a project manager who is responsible for the project's revenue and expenses. The project manager reports to the regional manager who is directly subordinate to the business unit manager. All these people have profit responsibility. The business unit manager is responsible for deciding the revenue level in the projects.

Decisions to begin work on a project are made by business unit management or Executive Management; for major projects such decisions are made by the Board. Follow-up of sold and reserved residential units takes place on a weekly basis, with reporting to the regional manager, business unit manager and President. Complete analyses and reconciliation of each project's revenue and expenses are performed every quarter.

More intense monitoring routines have been introduced for large projects. The business unit manager and the regional manager/head of subsidiary present quarterly reports to the President, CFO and the person responsible for JM's Internal Audit function. Assessment data include the financial history of the project, future anticipated revenue and expenses and the current sales and reservations level. The largest projects have special steering groups and are audited by JM's Internal Audit function and presented in the Audit Committee.

Stockholm, February 16, 2018
Board of Directors

Auditor's statement on the Corporate Governance Statement

To the annual meeting of the shareholders of JM AB, corporate identity number 556045-2103.

Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the year 2017 on pages 113–120 and for that it has been prepared in accordance with the Annual Accounts Act.

Scope of examination

Our examination has been conducted in accordance with FAR's 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 second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 second paragraph of the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, February 23, 2018

PricewaterhouseCoopers AB

Håkan Malmström
Authorized Public Accountant
Auditor-in-charge

Ann-Christine Hägglund
Authorized Public Accountant

Executive Management

Johan Skoglund
President and CEO
Year of employment: 1986
Member of Executive Management: 2000
Shares in JM: 46,552
Convertibles: SEK 7,428,375
Material shareholdings or part ownerships in companies with which the Company has material business relationships: 0
Born: 1962
Education: MSc. Eng., KTH Royal Institute of Technology, Stockholm, 1986; MSc. Program, Stockholm School of Economics, 1998. **Work experience:** 30 years in various positions at JM such as site engineer, project manager, regional manager and business unit manager. President and CEO since November 1, 2002.
Other significant assignments: Member of the Board of Castellum AB, Infranord AB, Confederation of Swedish Enterprise and Mentor Sverige.

Martin Asp
Business unit manager JM Norway and JM Finland. President of JM Norge AS
Year of employment: 1996
Member of Executive Management: 2011
Shares in JM: 5,295
Convertibles: SEK 476,000
Born: 1973
Education: : MSc. Eng., Faculty of Engineering, Luleå University of Technology, 1997; MSc. Program, Stockholm School of Economics, 2000; BA economics, Stockholm University, 2010. **Work experience:** Foreman, pre-construction manager and project manager at JM and President of Kvarnholmen Utveckling AB.

Sören Bergström
Director of Purchasing
Year of employment: 1988
Member of Executive Management: 2001
Shares in JM: 5,000
Convertibles: SEK 0
Born: 1956
Education: MSc. Eng., KTH Royal Institute of Technology, Stockholm. MSc. Program Stockholm School of Economics 1996. Executive Management Program Stockholm School of Economics 2001.
Work experience: Project manager, President of three different subsidiaries and regional manager. Business unit manager JM Production 2002–2006. Business unit manager JM Residential Sweden 2007–2017.

Maria Bäckman
Chief Legal Counsel
Legal Affairs and Development
Year of employment: 2000
Member of Executive Management: 2012
Shares in JM: 750
Convertibles: SEK 0
Born: 1973
Education: LL.B. Stockholm University 1997.
Work experience: Trainee Lawyer, Advokatfirman Lindahl. Clerk, District Court of Uppsala.

Per Lundquist
Director of Operations Development
Year of employment: 2016
Member of Executive Management: 2016
Shares in JM: 2,000
Convertibles: SEK 0
Born: 1967
Education: MSc. Eng. **Work experience:** Senior Vice President Operations at Cramo AB. Toyota Material Handling Europe and Toyota Industries.

Peter Neuberg
Business unit manager JM Entreprenad and President of JM Entreprenad AB
Year of employment: 2015
Member of Executive Management: 2015
Shares in JM: 400
Convertibles: SEK 0
Born: 1970
Education: Construction engineer, KTH Royal Institute of Technology, Stockholm. **Work experience:** Skanska Group; regional manager at Hus Stockholm Bostäder, district manager and purchasing manager.

Susanne Persson
Business unit manager JM Residential Sweden,
Year of employment: 2013
Member of Executive Management: 2018
Shares in JM: 857
Convertibles: SEK 147,390
Born: 1969
Education: MSc Eng. Lund 1992. Bachelor of Science Ecole National de Ponts et Chaussées Paris.
Work experience: Skanska Group, PEAB Sweden as regional manager. Regional manager South Region JM Residential Sweden 2013–2017.

Helena Söderberg
Director Human Resources
Year of employment: 2010
Member of Executive Management: 2010
Shares in JM: 1 300
Convertibles: SEK 94,200
Born: 1967
Education: Degree in Human Resources, Uppsala University, 1991. **Work experience:** Nordic HR Director Alstom Transport and 16 years in various HR positions within the Skanska Group.

Pär Vennerström
Business unit manager JM Residential Stockholm, Business Unit Manager JM Property Development
Year of employment: 2001
Member of Executive Management: 2014
Shares in JM: 750
Convertibles: SEK 0
Born: 1974
Education: MSc. Eng., KTH Royal Institute of Technology, Stockholm, 1999. Executive Management Program Stockholm School of Economics, 2015. **Work experience:** Project Manager, Regional Manager Stockholm Northwest 2008–2009, Regional Manager Stockholm South 2009–2014.

Claes Magnus Åkesson
Chief Financial Officer and Head of IR
Year of employment: 1998
Member of Executive Management: 1998
Shares in JM: 27,774
Convertibles: SEK 6,038,671
Born: 1959
Education: MSc. Econ. Stockholm School of Economics, Stockholm 1984. Advanced Management Programme, INSEAD, France. **Work experience:** Ericsson Group: Senior controller Asia, Head of finance and treasury Malaysia and Regional controller Asia.
Other significant assignments: Board member of Concentric AB and Handicare AB.

Other senior executives

Mikael Åslund, Stockholm City Region
Annika Berg, Stockholm North Region
Erik Ragnerstam, Stockholm East Region
Elin Blixt, Stockholm South Region
Anne Schönberg, Sales Residential Stockholm
Lars-Olof Höglund, Acquisition Residential Stockholm
Anders Wimmerstedt, Production Residential Stockholm
Martin Svahn, West Region
Per Johansson, East Region
Simon Backe, JM Property Development
Birgitta Seeman, Seniorgården AB and AB Borätt
Per-Arne Jonsson, JM Rental Housing

Christian Benfatto, Civil Engineering, JM Entreprenad AB
Henrik Key, Housing and Commercial, JM Entreprenad AB

Hilde Vatne, Oslo Region, JM Norge AS
Svein Sundby, South Region, JM Norge AS
Ole Kristian Ruud, JM Entreprenør, JM Norge AS
Markus Heino, JM Suomi OY

Shareholdings as of 2/16/2018.