

Corporate governance report for the 2018 financial year

CONTENTS

CORPORATE GOVERNANCE PRINCIPLES	113
SHAREHOLDERS AND ANNUAL GENERAL MEETING	
Annual General Meeting	113
Major shareholders	113
Nomination Committee	114
Auditors	114
BOARD OF DIRECTORS	
Composition	114
Independence	114
Duties/Responsibilities	114
Evaluation by the Board of its own work	115
Board's evaluation of the President	115
Important matters during 2018	115
Duties of the Committees	115
BOARD OF DIRECTORS, CEO AND AUDITORS	116
MANAGEMENT AND COMPANY STRUCTURE	
Executive Management	118
Governance and report structure	118
Order of Delegation – President's right of decision	118
CONTROL FRAMEWORK	
Financial reporting	119
The Board of Directors' description of internal control and risk management of financial reporting	119
Governance structure	119
Control environment	119
Risk assessment	119
Control activities	119
Communication and follow up	120
REMUNERATION PRINCIPLES	
Remuneration to the Board of Directors and Executive Management	120
2018 Convertible program	121
AUDITOR'S STATEMENT ON THE CORPORATE GOVERNANCE REPORT	121

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.

SHAREHOLDERS AND ANNUAL 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.

Annual General Meeting

The 2018 Annual General Meeting was held on April 12. A total of 286 shareholders were represented, representing about 37 percent of the total votes. Minutes from the Annual General Meeting can be found on JM's website (jm.se). The 2019 Annual General Meeting will be held on March 28.

Major shareholders

One shareholder, OBOS BBL, has a shareholding in the Company representing at least one-tenth of the voting rights for all shares in the Company. OBOS's holdings of the Company's shares amounted to 20.6 percent on February 12, 2019. 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.

BOARD MEETINGS 2018

JANUARY (ONE MEETING)

Year-end Report, review session with auditors, remuneration system, decisions on property acquisition, sustainable urban planning and production costs

MARCH (ONE MEETING)

Notification and other matters for the Annual General Meeting

MAY (ONE MEETING)

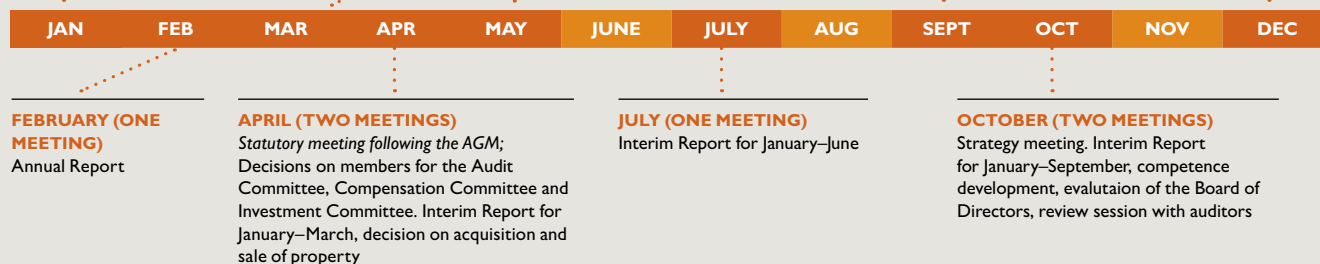
Visit at South Region and construction sites, decision on rules of procedure and policies, succession planning, decision on housing starts, JM Construction

SEPTEMBER (TWO MEETINGS)

Decision on housing starts

DECEMBER (ONE MEETING)

Decision on housing starts and property acquisition, evaluation of the President



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

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 2019 Annual General Meeting in August 2018, and the Committee consists of the following people:

Åsa Nisell, Swedbank Robur Fonder
Daniel Kjørberg Siraj, OBOS BBL
Hans Ek, SEB Investment Management
Eva Gottfridsdotter Nilsson, Länsförsäkringar Fondförvaltning AB
Fredrik Persson, Chairperson of the Board of JM.

The Nomination Committee represents approximately 29.1 percent of the total number of JM shares. Åsa Nisell is Chairperson of the Nomination Committee. The Nomination Committee held four 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 2018 Annual General Meeting elected PricewaterhouseCoopers AB (PwC) to be the new auditor. The election covers the period up until the end of the 2019 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.

Fees and remuneration to PwC	2018	2017
Auditing services	4.6	4.5
Tax services	0.1	0.2
Other services	1.4	0.9
Total	6.1	5.6

Information about the auditing company's services to JM in addition to auditing is provided in Note 5 on page 90.

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 2018 Annual General Meeting: The Nomina-

tion Committee considers JM to have a well-functioning Board of Directors and that the current composition of the Board, given the Company's operations, development stage and circumstances in general, is appropriate and features diversity and breadth with regard to the members' competence, experience and background. The Nomination Committee has applied Code Rule 4.1 as its diversity policy. It can be noted that JM has had an even gender distribution in its Board of Directors for many years, and the members proposed to the Annual General Meeting include three women and four men (43 percent and 57 percent, respectively). The proposal thus fulfills the requirements of the Code for an even gender distribution. The Board has extensive experience and skills, including for relevant sustainability aspects, within areas that are important for JM, such as project development and construction activities, architecture, marketing, brand issues, finance and good knowledge of geographic markets that are relevant for the Company. Three of the Board's seven members were elected at the two most recent Annual General Meetings.

Given this background, the Nomination Committee proposed re-election of all members, and the 2018 Annual General Meeting resolved to re-elect the seven members proposed by the Nomination Committee.

The employee organizations appointed two members and two deputies. The composition of the Board of Directors is presented 116–117, as is participation by the members elected by the Annual General Meeting in committees (A = Audit Committee, C = Compensation Committee, I = Investment Committee). Attendance during the 2018 calendar year is also presented.

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

Independence

All Board members elected at the Annual General Meeting are considered independent in relation to the Company and all are independent in relation to the shareholders.

Duties/Responsibilities

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.

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, Data Protection Policy, Employee Policy, Work Environment Policy, Communication Policy, Financial Policy, Tax Policy and Purchasing Policy)
- JM's ethical guidelines, JM's Code of Conduct, guidelines to prevent discrimination, guidelines for communication and guidelines for purchasing.

Duties of the Chairperson of the Board of Directors

The Chairperson of JM's Board of Directors bears the 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 2018, 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 2018, 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 2018

The Board of Directors made the following decisions and others in 2018:

- The Board of Directors held a separate strategy meeting at which it adopted the strategic plan for the Company
- The Board of Directors decided on housing starts for five 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 six acquisitions of development properties, which have a purchase sum exceeding the maximum level delegated to the President of SEK 100m
- The Board decided on the sale of a property
- The Board decided to propose to the Annual General Meeting that the Meeting resolve on the elimination of treasury 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 and adopted a Data Protection Policy.

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.

All Board members elected by the Annual General Meeting are also members in one or several 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 Winberg.

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 Winberg and Kia Orback Pettersson. The Committee held four 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
- Initiation of in-depth initiatives within select areas
- 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 three members: Fredrik Persson (Chairperson), Eva Nygren and Kaj-Gustaf Bergh.

The Committee held five meetings during the calendar year.

Board of Directors, CEO and Auditors



Fredrik Persson



Kaj-Gustaf Bergh



Olav Line



Eva Nygren

BORN	Born in 1968	Born in 1955	Born in 1958	Born in 1955
NATIONALITY	Swedish	Finnish	Norwegian	Swedish
SIZE OF HOLDING*	Shares in JM: 2,000	Shares in JM: 2,500	Shares in JM: 800	Shares in JM: 1,000
IN JM AS	- Board of Directors, Chair Elected to the Board in 2017 - Compensation Committee, Chair - Attendance: 12 of 12 5 of 5 - Total annual fees: SEK 870,000	- Board of Directors, Member Elected to the Board in 2013 - Compensation Committee, Member - Attendance: 12 of 12 3 of 5 - Total annual fees: SEK 363,000	- Board of Directors, Member Elected to the Board in 2017 - Investment Committee, Member - Attendance: 12 of 12 6 of 6 - Total annual fees: SEK 393,000	- Board of Directors, Member Elected to the Board in 2013 - Investment Committee, Member - Compensation Committee, Member - Attendance: 12 of 12 6 of 6 5 of 5 - Total annual fees: SEK 452,000
MEMBER'S INDEPENDENCE	The Board member is considered to be independent in relation to the Company and its management as well as major shareholders in the Company.	The Board member is considered to be independent in relation to the Company and its management as well as major shareholders in the Company.	The Board member is considered to be independent in relation to the Company and its management as well as major shareholders in the Company.	The Board member is considered to be independent in relation to the Company and its management as well as major shareholders in the Company.
EDUCATION	MSc. Econ., Stockholm School of Economics.	LL.M. and B.Sc. Econ.	MSc. Eng, NTH (NTNU), Trondheim.	Architect, Chalmers University of Technology.
WORK EXPERIENCE	Long career at Axel Johnson AB, including as CFO and then as President and CEO. Previously at Aros Securities and ABB Financial Services.	15 years at Gyllenberg and SEB. CEO of Föreningen Konstsfundet in Finland.	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.	Thirty-seven 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	Chairman of the Board of the Confederation of Swedish Enterprises. Board member of AB Electrolux, Hufvudstaden AB, Interogo Holding AG, ICA Gruppen AB and Ahlström Capital OY.	Member of the Board of Stockmann, Ramirent and Wartsila.	CEO of Mustad Eiendom AS.	Chairperson of Brandkonsulten AB. Member of the Board of Upponor OY, Troax Group AB, Ballingslöv International AB, Nye Veier AS, Nobelhuset AB, Tyréns AB, Diös AB and NRC Group.

* Shareholdings pertain to personal holdings or a related natural or legal person's holdings of JM AB shares and other financial instruments as at 2/12/2019.

Employee representatives



Jan Strömberg
Employee representative
Born: 1959. MSc. Eng.
Member since 2015
Shares in JM: 5,000
Convertibles: SEK 1,194,217
Attendance: 12 of 12



Peter Olsson
Employee representative
Born in 1977. Carpenter.
Deputy since 2014, Member since April 2018
Shares in JM: 0 | Convertibles: SEK 0
Attendance: 10 of 12



Jonny Änges
Employee representative
Born in 1962. Construction engineer.
Deputy since 2015
Shares in JM: 0
Convertibles: SEK 0
Attendance: 10 of 12



Kia Orback Pettersson

Born in 1959

Swedish

Shares in JM: 3,540

● Board of Directors, Member Elected to the Board in 2010
 ● Audit Committee, Member
 Attendance: ● 12 of 12 ● 4 of 4
 Total annual fees: SEK 422,000

The Board member is considered to be independent in relation to the Company and its management as well as major shareholders in the Company.

MSc. Econ., Lund University.

20 years of experience from leading positions within retail, real estate and media, including as President of Sturegallerian and VP of Guldfynd/Hallbergs.

Partner of Konceptverkstan. Chairperson of the Board of Mediaplanet and Friskis & Svettis. Member of the Board of Knowit AB, Odd Molly AB, Karolinska Universitetssjukhuset and Visual Art AB.



Åsa Söderström Winberg

Born in 1957

Swedish

Shares in JM: 12,100

● Board of Directors, Member Elected to the Board in 2007
 ● Investment Committee, Chair
 ● Audit Committee, Member
 Attendance: ● 12 of 12 ● 6 of 6 ● 4 of 4
 Total annual fees: SEK 503,000

The Board member is considered to be independent in relation to the Company and its management as well as major shareholders in the Company.

MSc. Econ., Stockholm University.

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 SWEKO Theorells.

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.



Thomas Thuresson

Born in 1957

Swedish

Shares in JM: 500

● Board of Directors, Member Elected to the Board in 2016
 ● Audit Committee, Chair
 Attendance: ● 12 of 12 ● 4 of 4
 Total annual fees: SEK 452,000

The Board member is considered to be independent in relation to the Company and its management as well as major shareholders in the Company.

MSc. Econ., Lund University. IMD (BPSE).

29 years in different positions within the Alfa Laval Group, most recently as CFO.

President of Tetra Laval Real Estate AB. Member of the Board of Proact IT Group AB (publ), Solix Group AB and Skiold A/S.



Johan Skoglund

Born in 1962

Swedish

Shares in JM: 50,000.
Convertibles in JM: SEK 9,986,763

President and CEO of JM AB.

MSc. Eng., KTH Royal Institute of Technology, Stockholm, 1986;
 MSc. Program, Stockholm School of Economics, 1998.

Thirtytwo years in various positions at JM, such as site engineer, project manager, regional manager and business unit manager. President and CEO since 2002.

Member of the Board of Castellum AB, Infranord AB, Confederation of Swedish Enterprise and Mentor Sverige.



Per Petersén

Employee representative
 Born in 1970. Bricklayer.
 Deputy since April 2018
 Shares in JM: 0
 Convertibles: SEK 0
 Attendance: 9 of 9

Thomas Mattsson was an employee representative until March 2018 and attended two Board meetings in 2018.

Secretary to the Board

Maria Bäckman

Chief Legal Counsel at JM AB
 Born in 1973.
 Secretary to the Board of Directors since 2012.
 Shares in JM: 750
 Convertibles: SEK 1,471,554

Auditors PricewaterhouseCoopers AB

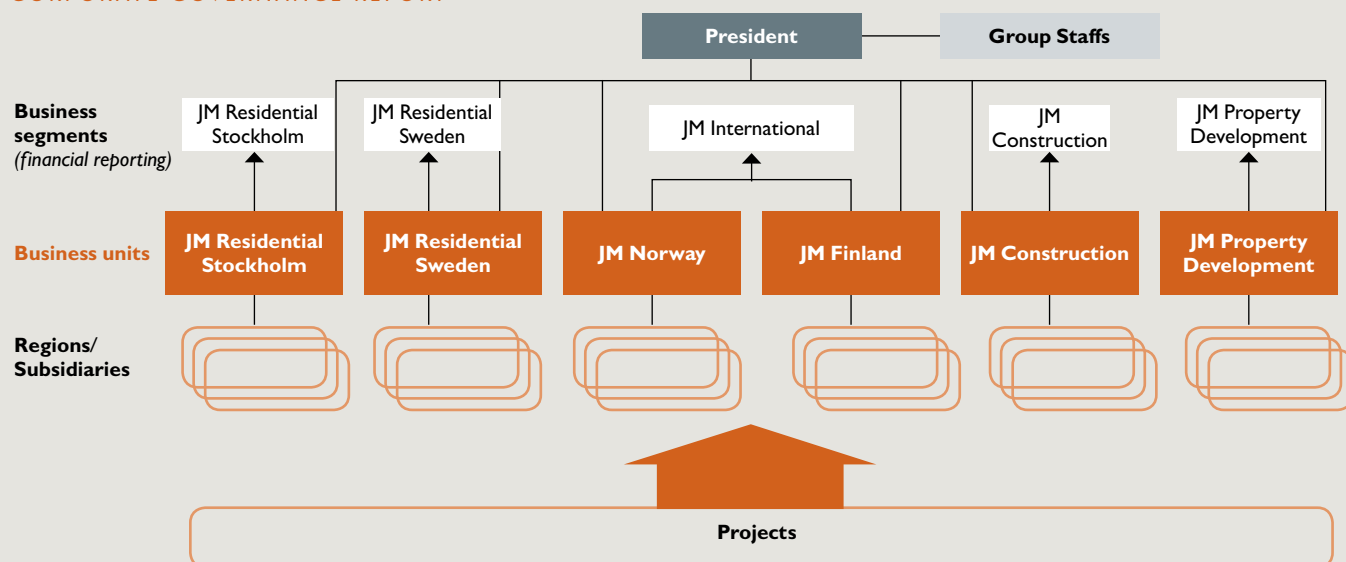
Håkan Malmström

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

The Annual General Meeting held in April 2018 elected PwC auditor of JM AB.

Ann-Christine Hägglund

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



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 Winberg (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.

MANAGEMENT AND COMPANY STRUCTURE

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.

The report structure is presented above.

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.

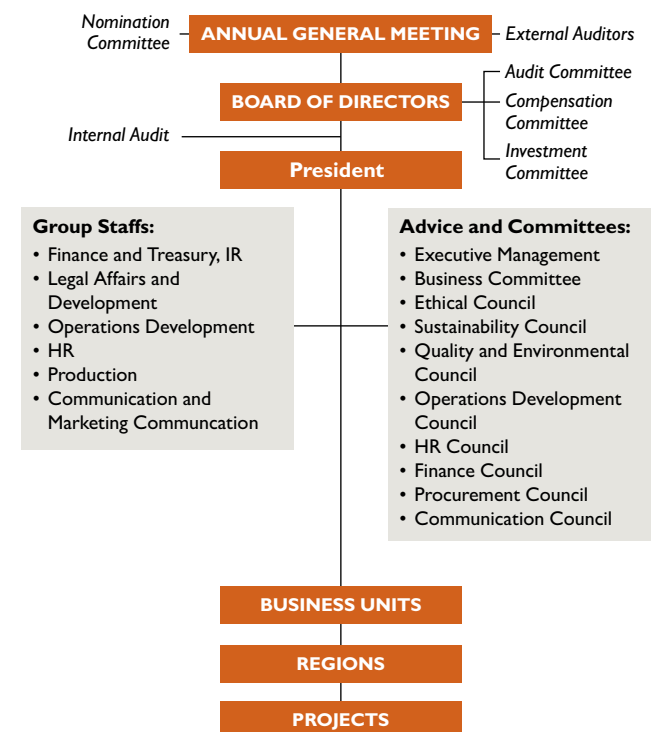
Every project is run by a project manager who is responsible for the project's revenue and expenses. The project manager reports to the regional manager who is directly subordinate to the business unit manager. All these people have profit responsibility. The business unit manager is responsible for 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.

The governance structure can be seen below:



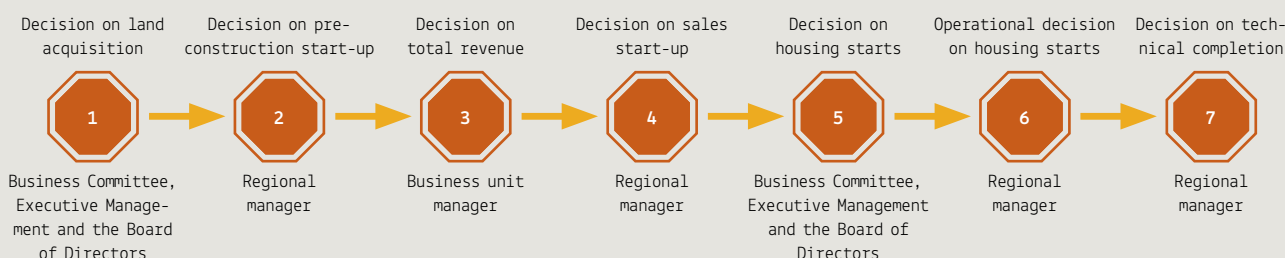
Order of Delegation – President's right of decision

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

The decision process can be seen below:

DECISION GATES IN STRUCTURED PROJECT DEVELOPMENT



- 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 operations as well as its governance and report structure are presented above.

CONTROL FRAMEWORK

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 120.

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 30–32 and 75.

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 facilitates closer contact between the Board and 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 Committee.

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. The Incident Reporting System ensures that suspected irregularities can be reported, and the Ethical Council provides guidance in the event of difficulties interpreting the ethical guidelines and JM's Code of Conduct.

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, CFO, head of the Internal Audit, business unit managers and regional managers/subsidiary managers 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 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 estimates regarding acquisition and project 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 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. The Board of Directors also receives the opinions from the Company's external auditors.

REMUNERATION PRINCIPLES

Remuneration to the Board of Directors and Executive Management

Following a proposal from the Nomination Committee, the 2018 Annual General Meeting decided on fees to the Board Members who are not employed by the Company as follows:

- Remuneration will be SEK 840,000 to the Chairperson of the Board of Directors and SEK 335,000 to regular Board members who are not employed by the Company
- 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 2019 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 74. Information about remuneration to the President and Executive Management can be found in Note 3 on 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.

2018 Convertible program

The 2018 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 640,000 convertible debentures aimed at all employees in Sweden. The purpose of the 2018 Convertible Program is to enhance and strengthen the employee's interest in JM's operations and future financial performance through an ownership commitment. 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 45m through the issue of about 195,900 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 June 2018.

The subscribed convertible bonds may be converted to one ordinary share at a price of SEK 229. Conversion of convertible bonds may occur during the period from June 1, 2021, through May 18, 2022, 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 195,930 through the issue of a maximum of 195,930 ordinary shares, each with a par value of SEK 1. This corresponds to dilution of about 0.3 percent of the shares and votes in the Company.

The convertible debenture loan falls due for payment on June 6, 2022, insofar as conversion has not already been undertaken.

Stockholm, February 12, 2019
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

The Board of Directors is responsible for the corporate governance statement for the year 2018 on pages 113–121 and for its preparation in accordance with the Annual Accounts Act.

Scope of the 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 21, 2019

PricewaterhouseCoopers AB

Håkan Malmström
Authorized Public Accountant
Auditor-in-charge

Ann-Christine Hägglund
Authorized Public Accountant