

## Proposal of the Board of Directors in respect of guidelines for remuneration to the executive management

The Board of Directors of Castellum AB (publ) proposes that the Annual General Meeting to be held on March 19, 2020 resolves to approve the following guidelines for determining salary and other remunerations to the executive management in Castellum, to be applicable until the end of the Annual General Meeting to be held in 2021.

### **The guidelines' promotion of the company's business strategy, long term interests and sustainability**

An overall objective of the operations of Castellum is to create a sound development of shareholder value over time, which shall be achieved by implementing the company's business strategy. In short, the company's business strategy is that Castellum shall create successful and sustainable workplaces in Nordic growth regions by really keeping close to customers, while staying on the cutting edge of innovation and expertise (for more information regarding Castellum's business strategy, please see <https://www.castellum.se/en/about-castellum/vision-business-concept-objectives-and-strategy/>). Castellum shall uphold such remuneration levels and terms of employment necessary to recruit and maintain a competent group executive management with capacity to achieve established objectives, implement the business strategy and to safeguard Castellum's long term interest, including its sustainability work. The Board of Directors considers and evaluates the remuneration as a whole, consisting of fixed remuneration, pension terms, variable remuneration and non-monetary benefits. The overall principles in respect of the remuneration to the executive management in Castellum shall be terms adjusted to the conditions of the market and competitiveness and these guidelines enable to offer the executive management such remuneration.

### **Preparation of matters regarding remuneration to the executive management**

Castellum has a Remuneration Committee which consists of three Board members, including the Chairman of the Board as Chairman of the Remuneration Committee. The members of the Remuneration Committee shall be independent of the company and its executive management. The Remuneration Committee shall, in relation to the Board of Directors, have a preparatory function in respect of principles for remuneration, remuneration and other terms of employment regarding the executive management. Consequently, the Remuneration Committee shall prepare a proposal in respect of guidelines for remuneration to the executive management, which the Board of Directors shall present to, and which shall then be resolved upon by the Annual General Meeting. The Remuneration Committee shall also evaluate the application of the guidelines resolved upon by the Annual General Meeting. Further, the Remuneration Committee shall, within the scope of the guidelines resolved upon by the Annual General Meeting, prepare proposals regarding remuneration to the Managing Director and other members of the executive management. The Remuneration Committee shall annually evaluate the Managing Director's performance. Further, the Remuneration Committee shall observe and evaluate programs for variable remuneration to the executive management which are ongoing or finished during the year as well as Castellum's current remuneration structure and remuneration levels. Furthermore, the Remuneration Committee shall annually prepare a remuneration report regarding the remuneration to the executive management. The Managing Director or other members of the executive management shall not participate in the Remuneration Committee's and the Board of Directors' processing of and

resolutions regarding remuneration-related matters in so far as they are affected by such matters.

### **The executive members and kinds of remuneration to which the remuneration guidelines apply**

The guidelines applies to executive members of the group executive management in Castellum. The guidelines are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the Annual General Meeting 2020.

### **Fixed remuneration**

A fixed salary shall be paid for work performed in a satisfactory manner. The fixed salary shall be based on market level conditions, and shall be determined with regard to competence, area of responsibility and performance.

### **Pension terms**

The executive management shall be entitled to pension benefits consisting of retirement pension and premium exemption, that shall be premium defined, and health insurance, that shall be benefit defined. Variable remuneration shall not be pension qualifying income, unless required by mandatory collective agreement provisions applicable for the executive member at the payment date. The pension benefits for executive management shall not exceed 33 per cent of the fixed annual remuneration, including payment for vacation, and 33 per cent of the fixed and variable annual remuneration, including payment for vacation, in those cases variable remuneration shall be pension qualifying income.

### **Variable remuneration**

In addition to the fixed salary, variable remuneration may be offered in order to reward clearly goal-referenced achievements by simple and transparent structures. The variable remuneration shall be linked to predetermined and measurable criteria. Such variable remuneration shall aim to create long term value within the group, by contributing to Castellum's business strategy and long term interests, including its sustainability work, and shall be rewarded within the scope of one profit and share price based incentive program. The executive management shall not be entitled to variable remuneration other than under the incentive program. The program's structure shall be based on the objective to align the interests of the group executive management with the interests of the shareholders by way of the group executive management also being shareholders of Castellum and by increasing the share of the total remuneration which is connected to the development of the group. The received remuneration according to the incentive program shall be paid as salary, includes payment for vacation and shall not be pension qualifying income, unless required by mandatory collective agreement provisions applicable for the executive member at the payment date. To which extent the criteria for awarding variable remuneration have been satisfied shall be evaluated when the measurement period has ended. The Board of Directors is responsible for the evaluation. For financial objectives, the evaluation shall be based on the latest financial information made public by Castellum. Further, the Board of Directors has the right to reclaim variable remuneration that has been paid on the basis of information that later has turned out to be inaccurate and provided with a deceptive purpose.

### **Profit and share price based incentive program**

The remuneration according to the profit and share price based incentive program for the members of the executive management shall be based on (a) growth of the income from property management per share (i. e. cash flow based growth), (b) the development of individually determined factors which the Board of Directors, after consulting the Managing Director, decides to give priority to under the current financial year and (c) to what extent established objectives in respect of the development of the share price have been achieved, in relation to both an absolute amount and in comparison to one or several,

given the ownership structure of the company, relevant real property share indexes. Therefore, the performance targets under the profit and share price based incentive program are clearly linked to Castellum's business strategy and long term interests, including its sustainability work, among others by linking the remuneration to the development of shareholder value and by promoting the executive member's long term personal development.

The result-based part of the incentive program according to item (a) and (b) above shall have a one-year performance and earning period. The share price based remuneration according to item (c) shall be for three years.

The undertaking made by Castellum in respect of the profit and share price based incentive program shall, in relation to each of the participants of the program, not exceed a payment corresponding to three additional annual salaries under the three-year period during which the incentive program is effective.

The participants of the profit and share price based incentive program shall undertake to acquire Castellum shares for at least half of the amount of the variable remuneration received, after deduction for tax.

### **Non-monetary benefits**

The non-monetary benefits may include, for example, medical insurance, phone benefits and company car. For the Managing Director, premiums and other costs relating to such benefits may amount to not more than 2 per cent of the fixed annual remuneration. For the other members of the executive management, premiums and other costs relating to such benefits may, in total, amount to not more than 5 per cent of the total fixed annual remuneration for other members of the executive management.

### **Termination of employment and severance pay**

The notice period shall, upon termination by the company, not exceed six months in respect of the Managing Director, and twelve months in respect of any other member of the executive management of the company. The notice period shall, upon termination by the Managing Director or by any other member of the executive management of the company, be six months. During the notice period full salary will be paid and other benefits will be provided to the employee, with deduction for salary and other remuneration received from another employment or business during the notice period. Such deduction shall not be made in respect of the Managing Director. A severance pay, corresponding to twelve fixed monthly salaries, shall be paid to the Managing Director upon termination by the company. Such severance pay shall not be reduced due to other income received by the Managing Director.

### **Salary and employment conditions for employees**

In the preparation of the Board of Directors' proposal for these remuneration guidelines, salary and employment conditions for employees of the company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the remuneration committee's and the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

### **Deviation from the guidelines for specific reasons in particular cases**

The Board of Directors may temporarily resolve to deviate from the guidelines, in whole or in part, if in a specific case there is special cause for the deviation and a deviation is necessary to serve the company's long term interests, including its sustainability work. As set out above, the Remuneration Committee's tasks include preparing the Board of Directors' resolutions in remuneration-related matters. This includes any resolutions to deviate from the guidelines.

**Information regarding remuneration resolved upon but not due for payment**

The renewed profit and share price based incentive program, adopted by the Annual General Meeting held in 2019 and which essentially is an extension of previous incentive programs, consists of a potential annual profit based remuneration for the years 2020, 2021 and 2022 as well as a potential three-year share price related remuneration for the period June 2020 – May 2023. The maximum outcome in respect of the annual profit based remuneration is half of the fixed salary for each year, where the salary level the manager concerned had per July the current financial year constitutes the base. This will lead to an estimated maximum annual cost for Castellum of MSEK 14 (social security charges included). The maximum outcome in respect of the three-year share price related remuneration is one and a half annual fixed salary for the three-year period June 2020 – May 2023, where issued variable remuneration is based on an average of the yearly salaries the manager concerned had per July 2020, 2021 and 2022 respectively. This will lead to an estimated maximum cost for Castellum of MSEK 41 in total (social security charges included).

As regards the previous incentive program, the annual part of the program ended with an outcome of 71 per cent, representing a cost for 2019 of MSEK 6 (social security charges included). The cost for the three-year share price based part may for the full three-year period amount to a maximum of MSEK 25 (social security charges included). As per December 2019 the outcome was 75 per cent, representing a cost of MSEK 15 (social security charges included). The three-year share price based part of the program will be completed and settled as per May 31, 2020.

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Gothenburg in February 2020  
CASTELLUM AB (publ)  
The Board of Directors