

Proposal of the Board of Directors of Castellum AB (publ) in respect of renewal of the incentive program to members of the executive management

The Board of Directors of Castellum AB (publ) proposes that the Annual General Meeting to be held on March 17, 2016 resolves to renew the incentive program for members of the executive management in accordance with the following key considerations. The proposal is a renewal of the incentive program which has been applied by Castellum during several three-year periods. An overall objective of the operations of Castellum is to create a sound development of shareholder value over time. The operations of the Castellum group is focused on cash-flow growth, i.e. income from property management per share, to limited operational risk. This intends to increase value within the group at low financial risk, and at the same time offer a competitive share dividend to the shareholders. Accordingly, the Board of Directors of Castellum regards that it is essential that the group offers a remuneration structure and the terms of employment required to recruit and maintain a competent group executive management with capacity and incentive to achieve established objectives, at costs adapted to the group. The structure of the incentive program is 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.

Below is a description of the essential terms of the proposed incentive program.

The included members of the executive management and the main structure

The incentive program applies to the group executive management, which at the time of this proposal includes the Managing Director, the Chief Financial Officer, the Chief Investment Officer and the Head of Business Development in Castellum AB (publ), and the Managing Directors of the subsidiaries of the group, i.e. ten persons in total.

The incentive program is made up of two parts, one part which is based on each year's profit and one part which is based on the total return on the Castellum share over a three-year period.

The annual profit based remuneration

The annual profit based remuneration is based on growth in income from property management per share (i.e. cash flow based growth) and on an overall determination of the development of certain individual target factors which the Board, after consulting the Managing Director of Castellum AB (publ), decides to give priority to under the current financial year.

In order to receive full variable remuneration linked to the income from property management a 10% annual growth of the income from property management is required. In the event of growth in the interval 0–10%, a linear calculation is performed in respect of the outcome and

the remuneration to be paid. Possible remuneration is paid annually as salary after the closing of accounts.

The three-year share price based remuneration

The three-year share price based remuneration is based on the total return on the Castellum share in total numbers during the three-year period, as well as the total return on the Castellum-share in comparison to real estate share indexes in Sweden, Great Britain and the Eurozone during the period of measurement. In order to receive full variable remuneration in accordance with the three-year program, the total return must amount to at least 50% during the relevant period, and the total return must further exceed the development of the indexes, respectively, with at least 5 percentage units during the relevant period. In the event of an outcome in the interval 0–50% and 0–5 percentage units, respectively, a linear calculation is performed in respect of the outcome and the remuneration to be paid. Possible remuneration is paid annually as salary after the end of the three-year period of measurement.

General regulations

The variable remuneration shall, in respect of the yearly result-based program, be based on the annual salary that the member of the executive management in question had in the month of July the current financial year starting in July 2017. In respect of the three-year share price based remuneration program, the variable remuneration is based on an average of the annual salaries that the member of the executive management in question had in the month of July 2017, 2018 and 2019. A member of the executive management that receives variable remuneration shall, in respect of an amount corresponding to at least half the received remuneration after deduction for tax, purchase Castellum shares. The variable remuneration under the incentive program includes payment for vacation. Such compensation is not pensionable income.

The Board decides on the detailed terms of the incentive program within the conditions set out in this document. The Board is entitled to decide on minor deviations from the terms of the incentive program if the Board deems that there are particular reasons in an individual case, provided that such deviation does not cause the final remuneration to exceed the maximum remuneration that can be paid under the conditions of the respective part of the incentive program.

The term of the incentive program

In respect of the annual profit based bonus, the incentive program shall be applicable for the financial years 2017, 2018 and 2019, and, in respect of the three-year share price based remuneration, for the period June 2017 - May 2020.

Cap of the remuneration

The wording of the incentive program implies that the maximum outcome for the annual performance-based remuneration is half a year's salary for each year and the maximum outcome for the three-year share price based remuneration is one and a half year's salary during the relevant three-year period. Based on the current annual salaries of the present group of participants, as of 1 January 2016, the total cost for the annual profit based program may amount to a maximum of MSEK 11.2 a year (social services charges included) and for the three-year share price based program, a maximum of MSEK 33.6 for the entire three-year period (social services charges included).

Gothenburg, January 20, 2016
CASTELLUM AB (publ)
The Board of Directors