

Proposal of the Board of Directors of Castellum AB (publ) 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 23, 2017 resolves to approve the following guidelines for determining salary and other remunerations to the executive management of Castellum, to be applicable until the end of the Annual General Meeting to be held in 2018.

General

An overall objective of the operations of Castellum is to create a sound development of shareholder value over time. 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. 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.

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 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 on-going or finished during the year as well as Castellum's current remuneration structure and remuneration levels.

The executive members to which the remuneration guidelines apply

The guidelines shall apply to the Group executive management, which at the time of this proposal includes the Managing Director, the Chief Financial Officer, the Chief Investment Officer, the HR manager, The Corporate Communications Director and the Managing Directors of the five regions, i e ten persons in total.

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 pension terms for the executive management shall correspond to general market practice in respect of members of equivalent executive managements, and shall be based on pensions schemes with fixed charges.

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. Such variable remuneration shall aim to create long term value within the group and shall be rewarded within the scope of an incentive program. Its 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 remuneration according to an 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 in Castellum AB (publ), 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.

The result-based part of an incentive program according to item (a) and (b) above shall have an 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 an 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 received remuneration according to an incentive program shall be paid as salary and includes payment for vacation. Such remuneration shall not be a pension qualifying income. The participants of the 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 (such as car and mobile phone benefits) of the executive management shall facilitate the work to be performed and shall correspond to what is considered to be reasonable in accordance with general market practice.

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.

Information regarding remuneration resolved upon but not due for payment

The renewed incentive program, adopted by the Annual General Meeting held in 2016 and which essentially is an extension of previous incentive programs, consists of a potential annual profit based remuneration for the years 2017, 2018 and 2019 as well as a potential three-year share price related remuneration for the period June 2017 – May 2020. 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 a maximum annual cost for Castellum of MSEK 11.0 (social security charges included) based on current participants per January 2017. 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 2017 – May 2020, where issued variable remuneration is based on an average of the yearly salaries the manager concerned had per July 2017, 2018 and 2019 respectively. This will lead to a maximum cost for Castellum of MSEK 32.9 in total (social security charges included) based on current participants per January 2017.

As regards the previous incentive program, the annual part of the program ended with an outcome of 84 per cent, representing a cost for 2016 of MSEK 9.7 (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 30.3 (social security charges included). As per December 2016 the outcome was 57 per cent, representing a cost of MSEK 14.5 (social security charges included). The three-year share price based part of the program will be completed and settled as per May 31, 2017.

Deviation from the guidelines for specific reasons in particular cases

The Board of Directors may deviate from the guidelines for specific reasons in a particular case.

Gothenburg, January 19, 2017
CASTELLUM AB (publ)
The Board of Directors