

Proposal of the Board of Directors on 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 21, 2019 resolves to renew the incentive program for members of the executive management in accordance with the following key considerations. The proposal concerns the period 2020-2023 and 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 executive members of the group executive management in Castellum.

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, 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 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 2020. 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 2020, 2021 and 2022. 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 this incentive program includes payment for vacation and shall not be pension qualifying 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 causes 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 2020, 2021 and 2022, and, in respect of the three-year share price based remuneration, for the period June 2020 - May 2023.

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. The total cost for the annual profit based program is estimated to a maximum of MSEK 16 a year (social services charges included) and for the three-year share price based program, a maximum of MSEK 49 for the entire three-year period (social services charges included).

Gothenburg in February 2019
CASTELLUM AB (publ)
The Board of Directors