

# The Board of Directors' remuneration report for the financial year 2020

## Introduction

This report describes how the guidelines for remuneration for executive management in Castellum AB (publ), adopted by the Annual General Meeting 2020, were implemented in 2020. The report also provides information on remuneration to the Managing Director and a summary of the company's outstanding profit and share price based incentive plan. The report has been prepared in accordance with the Swedish Companies Act and the rules on *Remuneration of the Board and Executive Management and on Incentive Programmes* issued by the Swedish Corporate Governance Board.

Further information on executive management remuneration is available in note 12 in the Annual Report 2020. Information on the work of the People Committee in 2020 is set out in the corporate governance report available in the Annual Report 2020.

Remuneration of the Board of Directors is not covered by this report. Such remuneration is resolved annually by the Annual General Meeting and such information will be disclosed in note 12 in the annual report 2020.

## The company's development during 2020

A summary of the company's overall performance and development is presented on pages 123-124 in the Annual Report 2020.

## The company's remuneration guidelines: scope, purpose and deviations

A prerequisite for the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability work, is that the company can recruit and retain qualified personnel. To this end, the company must offer competitive remuneration. The company's remuneration guidelines enable the company to offer executives a competitive total remuneration. Under the remuneration guidelines, remuneration to the executive management shall be on market terms and may consist of the following components: fixed remuneration, pension terms, variable remuneration and non-monetary benefits. The 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 a profit and share price based 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.

During 2020, the company has complied with the applicable remuneration guidelines adopted by the Annual General Meeting. No deviations from the guidelines have been made and no deviations from the procedure for implementation of the guidelines have been made. The auditor's report regarding the company's compliance with the guidelines will be available on <https://www.castellum.se/investor-relations/bolagsstyrning/arsstamma/> no later than three weeks before the Annual General Meeting 2021. No remuneration to the executive management has been reclaimed by the company.

## Remuneration to the Managing Director

*Table 1 – Total remuneration to the Managing Director in 2020 (MSEK)<sup>1</sup>*

Name of director (position)	1 Fixed remuneration		2 Variable remuneration		3	4	5	6
	Base salary <sup>2</sup>	Non-monetary benefits <sup>3</sup>	One-year variable	Three-year variable <sup>4</sup>	Extraordinary items	Pension benefits	Total remuneration	Proportion of fixed and variable remuneration <sup>5</sup>
Henrik Saxborn (CEO)	4.7	0.1	1.7	5.1	0	1.5	13.1	48.1% / 51.9%

<sup>1</sup> Except for the three-year share priced based variable remuneration, the table reports remuneration earned in 2020. Three-year share priced based variable remuneration is reported to the extent that its paid, as set out in column 3 of Table 2a below.

<sup>2</sup> Including holiday pay of MSEK 0.6.

<sup>3</sup> Medical insurance, phone benefits and company car.

<sup>4</sup> Paid remuneration according to the three-year share priced based remuneration as set out in column 3 of Table 2a below.

<sup>5</sup> Pension benefits (column 4), which in its entirety relates to base salary and is premium defined, has been entirely reported as fixed remuneration.

### Profit and share price based remuneration

Castellum has a profit and share price based incentive program concerning the period 2020-2023 (and a similar program for the period 2017-2020 that expired during the financial year 2020). The incentive programs follow the same model and is made up of two parts, one part which is based on the profit each year and one part which is based on the total return on the Castellum share over a three-year period. The participants in the incentive program undertakes to purchase Castellum shares for at least half the received remuneration after deduction for tax.

#### *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 of Directors, 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. If remuneration is to be paid, remuneration is paid annually as salary after the closing of accounts. The remuneration has a one-year performance and earning period and maximum outcome in respect of the annual profit-based remuneration is half of the fixed remuneration for each year.

#### *Individually determined factors*

A part of the annual profit based part of the incentive program consists of individually determined factors. The individually determined factors for the Managing Director's remuneration is based on the objective to align the interests of the Managing Director with the interests of the shareholders. The individually determined factors has been based on strategic established objectives which the Board of Directors has decided to give priority to under 2020. The individually determined factors shall over time contribute to the company's sustainability targets.

#### *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, the United Kingdom 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. If remuneration is to be paid, payment is made as salary after the end of the three-year period of measurement. The share price based remuneration has a three-year performance and earning period and the maximum outcome in respect of the three-year share price based remuneration is one and a half annual fixed remuneration for the three-year period.

*Table 2a - Performance of the Managing Director in the reported financial year: paid remuneration*

Name of director (position)	The name of the program	1 Description of the criteria related to the remuneration component	2 Relative weighting of the performance criteria	3 a) Measured performance and b) remuneration outcome
Henrik Saxborn (CEO)	The annual profit-based remuneration	Growth in income from property management per share by 10%	75%	a) 72% b) SEK 1,261,980
		Reduce total cost	6.25%	a) 100% b) SEK 146,063
		Conduct proactive customer meetings	6.25%	a) 100% b) SEK 146,063
		Net leasing	6.25%	a) 100% b) SEK 146,063
	The three-year share price based remuneration 2017/2020	Achieve established objectives for the executive management	6.25%	a) 0% b) SEK 0
		Total return of 50% for 2017/2020	50%	a) 100% b) SEK 3,394,503
		Total return 5% higher than the index for real estate shares in Sweden	25%	a) 0% b) SEK 0
		Total return 5% higher than the index for real estate shares in the Eurozone	13.9%	a) 100% b) SEK 942,918
Total return 5% higher than the index for real estate shares in the United Kingdom	11.1%	a) 100% b) SEK 754,334		

*Table 2b - Performance of the Managing Director in the reported financial year: preliminary outcome for unpaid share price based remuneration*

Name of director (position)	The name of the program	1 Description of the criteria related to the remuneration component	2 Relative weighting of the performance criteria	3 a) Preliminary measured performance and b) preliminary remuneration outcome <sup>1</sup>
Henrik Saxborn (CEO)	The three-year share price based remuneration 2020/2023	Total return of 50% for 2017/2020 <sup>2</sup>	50%	a) 78% b) SEK 532,369
		Total return 5% higher than the index for real estate shares in Sweden <sup>2</sup>	25%	a) 0% b) SEK 0
		Total return 5% higher than the index for real estate shares in the Eurozone <sup>2</sup>	13.9%	a) 100% b) SEK 189,297
		Total return 5% higher than the index for real estate shares in the United Kingdom <sup>2</sup>	11.1%	a) 100% b) SEK 151,438

<sup>1</sup> In column 3 of Table 2b, the preliminary measured performance and the preliminary remuneration outcome, respectively, are adjusted for the time of the program pertaining to 2020.

<sup>2</sup> Performance period still running.

## Comparative information on the change of remuneration and the company's income from property management

*Table 3 – Change of remuneration and the company's income from property management over the last five reported financial years (MSEK)*

	<b>2020</b>	2020 vs 2019	2019 vs 2018	2018 vs 2017	2017 vs 2016	2016 vs 2015
Remuneration to the Managing Director <sup>1</sup>	9.9	+1.4 (+16%)	-2.2 (-21%)	+2.5 (+30%)	-0.9 (-10%)	+2.8 (+44%)
Income from property management	3,380	+234 (+7%)	+194 (+7%)	+422 (+17%)	+465 (+23%)	+532 (+35%)
Average remuneration on a full time equivalent basis of employees <sup>2</sup> in the group.	0.8	+0.1 (+13%)	+0.0 (+4%)	+0.1 (+16%)	-0.1 (-13%)	+0.1 (+20%)

<sup>1</sup> To make comparison possible, and due to the fact that the three-year share price based remuneration is only paid every three years, the remuneration to the Managing Director presented in Table 3 corresponds to the remuneration presented in the remuneration note in the annual report for each year. Consequently, the remuneration to the Managing Director in Table 3 may differ from the remuneration reported in Table 1.

<sup>2</sup> Excluding members of the group executive management.

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Gothenburg in February 2021  
CASTELLUM AB (publ)  
The Board of Directors