

KUNGSLEDEN'S REMUNERATION REPORT 2020

Introduction

This report describes how Kungsleden's guidelines for remuneration to senior executives (the "remuneration guidelines"), adopted by the Annual General Meeting 2020, were implemented in 2020. The report also provides details on the remuneration to the CEO and deputy CEO for 2020 and a summary description of the company's outstanding share-price related incentive plan ("LTI"), adopted by the Annual General Meeting 2020. Further information on Kungsleden's remuneration to senior executives is available in Note 7 in the annual report for 2020, which is available on Kungsleden's website.

The company's development during 2020

The CEO summarizes the company's overall performance in her statement on pages 6-11 in the annual report 2020.

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

According to Kungsleden's remuneration guidelines for 2020, the types of remuneration shall be market-based, simple and transparent and normally consist of: fixed cash salary, variable cash remuneration, pension benefits and other benefits. Additionally, the Annual General Meeting 2020 adopted – independent of these guidelines – a three-year share-price related incentive plan (LTI) for the period 2020-2022, with payment in 2023.

During 2020, the Remuneration Committee has followed and evaluated the remuneration to senior executives and the development of target fulfillment for variable remuneration. The actual and expected outcome have been reported to the Board and discussed at Board meetings. Based on the Remuneration Committee's evaluation, the Board has determined that the current remuneration structure essentially ensures a competitive total remuneration to achieve Kungsleden's targets and create long-term shareholder value. During 2020, the company has essentially complied with the applicable remuneration guidelines adopted by the general meeting. One deviation has been identified. It relates to the conditions upon termination of employment.

Total remuneration is one of several components to ensure competitive terms of employment as a whole. Following a decision that a large part of the variable remuneration will not be paid until in three years' time, the rules on termination of employment in the former, not updated, employment contracts needed to be reviewed. A review of all senior executives' terms of employment was therefore initiated following the general meeting's resolution on the introduction of LTI.

To ensure that Kungsleden retains senior executives and offers competitive terms of employment after the introduction of LTI and in a constantly changing world, the Board decided to use the opportunity to resolve on deviations from the guidelines and to adjust the employment contracts for the senior executives. According to guidelines adopted in 2020, the CEO and deputy CEO may receive a severance pay of six months' salaries which should normally be deductible against other income from a new employment or assignment. After adjustments, senior executives may receive a severance pay of four to six months' salaries, and the CEO and deputy CEO six to twelve months' salaries, which shall not qualify for pension benefits and not be deductible against other income from a new employment or assignment, to be paid in connection with termination of the employment. The minimum notice period

for senior executives was also raised from three to four months to ensure the possibility of better handovers.

The Remuneration Committee's and the Board's assessment is that the adjustment of the right to severance pay of up to 12 months instead of 6 months as stated in the guidelines, is the best way to satisfy the company's long-term interests. By also extending the notice period for senior executives when the adjustment was made, the changes ensure stability.

The Board therefore proposes that the Annual General Meeting 2021 adopts new guidelines for remuneration in accordance with item 15 of the agenda in the notice convening the Annual General Meeting 2021 and which are also summarized on page 80 in the annual report, in order to reflect these changes.

The auditor's report regarding the company's compliance with the guidelines will be available on www.kungsleden.se/agm2021 no later than three weeks before the Annual General Meeting 2021.

Table 1-Total remuneration to the CEO and deputy CEO during 2020 (TSEK)

Name of director (position)	1 Fixed remuneration		2 Variable remuneration		3	4	5	6
	Base salary	Other benefits	One-year	Three-year	Extraordinary items	Pension expenses	Total remuneration	Proportion of fixed and variable remuneration
Biljana Pehrsson (CEO)	4,440	116	949	n/a	n/a	1,333	6,838	86%/14%
Ylva Sarby Westman (Deputy CEO)	2,740	78	641	n/a	n/a	815	4,274	85%/15%

Table 2. Change of remuneration and company performance over the last five reported financial years (TSEK)

Financial year	2020	2020 vs 2019	2019 vs 2018	2018 vs 2017	2017 vs 2016	2016 vs 2015
Remuneration to the CEO	6,670	665	-613	173	1,518	-1,678
Remuneration to the deputy CEO*1	4,023	893	-2,447	-3,047*1	4,331*1	-1,338
Management results*2	1,257	72	61	139	-5	24
Average remuneration on a full-time equivalent basis of employees in the company*3	715	40	-49	-15	98	1

*1. Remuneration to two deputy CEOs has been reported 2017 and 2018

*2. MSEK

*3. Excluding senior executives

Profit and share-price related remuneration (the STI and LTI plans)

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 senior executives a competitive total remuneration.

Performance criteria for STI – yearly result-based remuneration

Variable cash remuneration covered by the STI guidelines shall aim at promoting the company's business strategy and long-term interests, including its sustainability, and the outcome has therefore mainly been linked to Kungsleden's customer satisfaction and management results.

The variable cash remuneration shall be linked to predetermined and measurable criteria which can be financial or non-financial. There may also be individualized objectives. The fulfilment of the criteria for payment of short-term variable cash remuneration ("STI") shall be measured over a period of one year.

The short-term variable cash remuneration for the CEO and deputy CEO shall therefore, to a significant extent, be dependent on Kungsleden's management results and the remainder shall be dependent on Kungsleden's customer satisfaction.

Table 3. Performance of the CEO and deputy CEO and determined remuneration outcome 2020

Name of director (Position)	1 Description of the criteria related to the remuneration component	2 Relative weighting of the performance criteria	3 a) Measured performance and b) actual outcome
Biljana Pehrsson (CEO)	Management results 2020	75 %	a) 57 % b) TSEK 949
	Customer satisfaction 2020	25 %	a) 73 b) TSEK 0
Ylva Sarby Westman (Deputy CEO)	Management results 2020	75 %	a) 57 % b) TSEK 641
	Customer satisfaction 2020	25 %	a) 73 b) TSEK 0

Performance criteria for LTI – three-year share-price related incentive plan

A new share-price related incentive plan (LTI) was adopted by the Annual General Meeting 2020. LTI is a three-year plan for the years 2020–2022 designed with the aim of aligning the interests of the participants, the shareholders' requirements of long-term value creation as well as to enable an increased shareholding in the company. Payment is conditioned upon that half of the payment is invested in Kungsleden shares. LTI sets high and challenging objectives, distinctly linked to the company's strategy and long-term value creation, while also being an important part of an attractive and competitive total remuneration within Kungsleden.

The participants' LTI is based on the following performance conditions:

- The total return that the shareholders receive on Kungsleden's share during the financial years 2020-2022 shall exceed 0 percent as the target level and 30 percent as the maximum level.
- The total return that the shareholders receive on Kungsleden's share during the financial years 2020-2022 shall correspond to the average total return for the shareholders in a reference group of comparable real estate companies (the "Reference Group") as target level and exceed the average total return for the shareholders in the Reference Group by 3 percent as a maximum level.

Half of the total outcome in LTI is measured on the respective performance condition.

In cases where the level of achievement is between the target level and the maximum level, allocation will be made on a linear basis. If the target level is not reached, no payment will be made for the relevant performance condition.

The maximum LTI outcome is limited to 18 months' salaries for the CEO and deputy CEO.

Stockholm in March 2021

Kungsleden AB (publ)

The Board of Directors