

**THE BOARD OF DIRECTORS' RESOLUTION ON INCENTIVE PLAN 2020-2022 FOR SENIOR EXECUTIVES – APPROVED BY THE AGM 23 APRIL 2020**

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Subject to approval by the Annual General Meeting, the Board of Directors has resolved to introduce a new incentive plan 2020-2022 for senior executives in Kungsleden. The Board of Directors proposes that the Annual General Meeting approves the incentive plan.

The Board of Directors of Kungsleden considers it important that Kungsleden offers a remuneration structure, employment terms and the incentives required to retain and recruit key personnel with the right competence and capacity to achieve set targets and create long-term shareholder value. The Board of Directors' proposal for an incentive plan consists of two parts - a short-term variable cash remuneration based on the company's results over three independent one-year performance periods ("STI"), and a long-term share price-related cash remuneration based on the total return of the Kungsleden share over the entire three-year period ("LTI").

The proposal is for the period 2020-2022, but it is the intention of the Board of Directors that the structure of the incentive plan shall be long-term, and the Board of Directors therefore intends to return, after evaluating the program, with the corresponding proposal for the Annual General Meetings following this period. The incentive plan is designed with the aim of aligning the interests of the senior executives with the shareholders' requirements of long-term value creation as well as to enable an increased shareholding in Kungsleden for the participants by conditioning that the payment of LTI to a certain extent shall be invested in shares in Kungsleden. The proposed incentive plan 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 package for senior executives and key personnel within Kungsleden.

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

***Participants in the incentive plan***

The incentive plan comprises ten senior executives, which are divided into the following three levels: CEO and deputy CEO ("Level 1"), five senior executives in the management team with operational roles ("Level 2") and three senior executives with staff positions in the management team ("Level 3").

***General conditions for the incentive plan***

The essential terms of the incentive plan are as follows:

- Payment of STI and LTI requires, with certain exceptions regarding LTI, that the participant is still an employee within the Kungsleden group at the time of the payment in question and is based on the degree of fulfilment of the incentive plan's performance conditions.

- STI is paid annually in cash after Kungsleden's year-end report has been published and is based on the annual salary (basic salary) that the participant had as of July of the financial year in question (i.e. the performance period).
- LTI is paid in cash, on two occasions in equal parts, at the beginning of 2023 and is based on an average of the annual salary (basic salary) that the participant had per July during the period 2020-2022. For the amount the participant receives, net after tax, in the first LTI payment, the participant shall acquire shares in Kungsleden on Nasdaq Stockholm. The second payment is conditional on the participant proving to Kungsleden that the shares have been acquired.
- The maximum annual STI outcome is limited to six months' salaries for Level 1, five months' salaries for Level 2 and three-months' salaries for Level 3. The maximum LTI outcome is limited to 18 months' salaries for Level 1, 15 months' salaries for Level 2 and 9 months' salaries for Level 3.
- For Level 1, STI shall not qualify for vacation- or pension benefits.
- For Level 2-3, STI shall qualify for pension benefits, but not for vacation benefits.
- LTI shall not qualify for vacation- or pension benefits.

### ***Performance conditions***

Payment of STI and LTI is based on the extent of achievement of targets of up to five performance conditions (maximum three for STI and two for LTI). Each of the performance conditions is measured separately. 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 participants' STI is based on the following performance conditions:*

Kungsleden's budgeted management results for the financial years 2020, 2021 and 2022 respectively; Kungsleden's customer satisfaction measured in an annual (2020, 2021 and 2022) customer survey for the real estate industry, "Fastighetsbarometerns NKI-study" (Satisfied Customer Index (Sw: Nöjd-Kund-Index)) or a corresponding customer satisfaction survey of relevant comparable companies in the real estate industry.

The target and maximum levels will be set by the Board of Directors before each year.

Individual targets related to each participant's unit/department, which shall be relevant to Kungsleden's development and results, as well as individual targets.

For Level 1, three quarters of the total outcome in STI are measured by Kungsleden's management results, and one quarter is measured by customer satisfaction within Kungsleden.

For level 2-3, half of the total outcome in STI is measured by Kungsleden's management results, one quarter is measured by customer satisfaction within Kungsleden and one quarter is measured by individual objectives.

*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 ("Absolute Total Return").

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<sup>1</sup> (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 ("Relative Total Return").

Half of the total outcome in LTI is measured on Kungsleden's Absolute Total Return, and half on the Relative Total Return.

#### ***Handling of the incentive plan***

The Board of Directors has decided on the detailed terms and conditions for the incentive plan in accordance with this proposal for resolution. The Board of Directors and the Remuneration Committee are entitled to resolve on minor deviations from the conditions of the incentive plan if the Board of Directors finds that there are special reasons for this in an individual case, provided that such deviations do not mean that outgoing remuneration exceeds the maximum remuneration that can be paid within the framework of each part of the incentive plan.

The maximum annual STI outcome for Level 1 participants is reduced (from 75 percent to 50 percent of the annual salary). Subject to the Annual General Meeting approving the incentive plan, the Board of Directors has therefore decided to compensate these participants with a cash remuneration corresponding to a total of nine months' salaries to be paid in 2020. Subject to the Annual General Meeting approving the incentive plan, the highest short-term variable cash remuneration that may be paid to the CEO and the deputy CEO will amount to 50 per cent of the annual salary and for other senior executives, the highest outcome for such remuneration will be 42 per cent.

#### ***Costs and effects on important key ratios***

Assuming a 100 per cent achievement of the performance conditions, the maximum cost for Kungsleden for the proposed incentive plan for senior executives amounts to approximately SEK 18 million per year (including social security contributions).

Costs are expected to have a marginal impact on the Company's key figures.

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<sup>1</sup> The reference group is based on Carnegie's Real Estate Index which as of 31 December 2020 included the following shares in addition to Kungsleden: Atrium Ljungberg B, Fastighetsbolaget Balder B, Brinova Fastigheter B, Castellum, Catena, Corem Property Group A, Corem Property Group B, Diös Fastigheter, Eastnine, Fabega, Fast Partner, Heba A, Hembla B, Hemfosa Fastigheter, Hufvudstaden A, Hufvudstaden C, JM, John Mattsson Fastighetsföretag, Klövern A, Klövern B, Ljungbergföretagen B, Magnolia Bostad, NP3 Fastigheter, Nyfosa, Oscar Properties Holding, Platzer Fastigheter Holding B and Pandox.

***Preparation of the proposal***

The remuneration committee of Kungsleden has established the incentive plan in consultation with external advisers. The incentive plan has also been discussed at board meetings during the second half of 2019 and the first months of 2020.