

THE BOARD OF DIRECTORS' PROPOSAL REGARDING (A) RESOLUTION ON A LONG-TERM PERFORMANCE-BASED INCENTIVE PLAN AND (B) AUTHORISATION FOR THE BOARD OF DIRECTORS TO RESOLVE ON EXECUTION OF ACQUISITION OF SHARES OF SERIES B IN BONAVA AB (PUBL) AND RESOLUTION TO TRANSFER SHARES OF SERIES B IN BONAVA AB (PUBL)

The board of directors proposes that the extra general meeting resolves on a long-term performance-based incentive plan (LTIP 2016) for Bonava AB (publ) ("**Bonava**") and on an authorisation for the board of directors to resolve on execution of acquisition of shares of series B in Bonava and that the general meeting resolves on transfer of shares of series B in Bonava in accordance with items A. and B. below.

A. LONG-TERM PERFORMANCE-BASED INCENTIVE PLAN

1.1 LTIP 2016 in brief

The primary reason for implementing a long-term performance-based incentive plan is, after the admission to trading of Bonava's shares on Nasdaq Stockholm in June 2016, to align the interests of the shareholders with the interests of the senior management and other key personnel to ensure maximum long-term value creation. The LTIP 2016 will also create a long-term group-wide focus on value growth among the participants. Incentive plan is also considered to facilitate Bonava's recruitment and retention of senior management and other key personnel.

The LTIP 2016 comprises of approximately 25 employees consisting of the senior management and certain key personnel. To participate in the LTIP 2016, a personal shareholding in Bonava is required. Following the defined vesting period, the participants will, free of charge, be allocated shares of series B in Bonava provided that certain conditions are fulfilled. The participant shall remain employed within the Bonava group and the personal shareholding in Bonava must have been continuously maintained during same period of time. Further, allocation of shares of series B furthermore relates to the fulfilment of two performance targets, whereof one relates to Bonava's operating profit (EBIT) and the other relates to Bonava's average return on capital employed (ROCE). Allocation of shares of series B shall, however, be reduced by 50 per cent if the total shareholder return (TSR) on Bonava's shares of series B is negative, during a measurement period. The maximum number of shares of series B in Bonava which may be allocated in total under the LTIP 2016 shall be limited to 338,903 (excluding compensation for dividend, if any) which represents approximately 0.3 per cent of all shares and approximately 0.1 per cent of all votes. The board of directors intends to propose that future annual general meetings in Bonava adopts long-term incentive plans based on principles similar to those of the now proposed LTIP 2016.

1.2 Participants in LTIP 2016

The LTIP 2016 comprises approximately 25 employees consisting of members of the senior management and certain key personnel within the Bonava group, divided into

three categories. The first category comprises Bonava's managing director (CEO), the second category comprises the CFO and the BU-managers and the third category comprises the rest of the senior management and other persons who have been considered to have a direct or indirect impact on the results of Bonava. New personnel that have been recruited but not yet commenced their employment with the Bonava group when the notification of participation in the plan has to take place, can be offered participation on the condition that their employment starts (wherefore the number of participants in the different categories might be adjusted).

1.3 The personal investment, number of share rights and vesting period

To participate in the LTIP 2016, the participant must invest in a personal shareholding in Bonava ("**Investment Shares**"), which shall be allocated to the LTIP 2016. The Investment Shares shall be acquired specifically for the LTIP 2016. The participant can choose to invest a maximum of two months' salaries (according to level of monthly salary in August 2016) before taxes in the LTIP 2016.¹ The investment can be made at any of the following investment levels: 25, 50, 75 or 100 per cent of the maximum investment. For the CEO, each Investment Share entitles to six (6) share rights, for the second category of participants, each Investment Share entitles to five (5) share rights and for the third category, each Investment Share entitles to four (4) share rights. Allocation of shares of series B in Bonava, if any, shall normally occur within two weeks after the announcement of Bonava's interim report for the third quarter 2019 (the "**Vesting Period**", which commence when the participant enters into an agreement of participation in the plan).

1.4 Terms for the share rights

For the share rights the following conditions shall apply:

- The share rights are allocated free of charge after some time following the general meeting.
- The share rights may not be transferred or pledged.
- The right to receive shares of series B pursuant to the share rights requires that the participant has not sold any of the Investment Shares and, with some limited exceptions, that the participant remains employed within the Bonava group during the Vesting Period. Allocation also requires that Bonava fulfils the performance targets as described under item 1.5.
- In order to align the participants' interests with those of the shareholders, Bonava will compensate the participants if Bonava's dividends, viewed over the whole Vesting Period, exceed the level stipulated in the company's dividend policy.

¹ The possibility to invest two months' salaries in the LTIP 2016, and not just one months' salary, is given as the LTIP 2016 is the first incentive plan for employees in Bonava. Accordingly, there are no former incentive plans that expire during 2017 and 2018.

Dividend compensation is made in relation to the shares of series B that the participants receive.

- The maximum value that a participant can receive in connection with allocation of shares of series B is limited to 400 per cent of the share price (including any compensation that the participants receive for paid dividends). The share price shall be calculated as the average last price paid for Bonava's share of series B on Nasdaq Stockholm during a period of twenty trading days immediately following the date of the extra general meeting.

1.5 Performance targets

Allocation of shares of series B based on the participant's holding of share rights relates to the level of fulfilment of two performance targets, whereof one relates to Bonava's operating profit (EBIT) and the other relates to Bonava's average return of capital employed (ROCE). The measurement period for measuring to which extent the performance targets are fulfilled runs during the period 1 July 2017 – 30 June 2019 (the "**Measurement Period**"). A minimum level and a maximum level for each of the performance targets have been established by the board of directors. It is required that the maximum level for both performance targets have been fulfilled, in order for every share right to entitle to one share of series B in Bonava. Where the level of fulfilment is between the minimum and maximum levels, allocation will be made on a linear basis, with 70 per cent weighting on the performance target for Bonava's operating profit (EBIT) and 30 per cent weighting on Bonava's average return on capital employed (ROCE). Allocation of shares of series B requires that the minimum levels for both performance targets are fulfilled. Bonava intends to present the level of fulfilment of the performance targets after the closure of the plan.

If the total shareholder return (TSR) on the company's shares of series B is negative during a measurement period, the allocation of shares of series B shall be reduced by 50 per cent. This measurement period runs from and including 26 September 2016 (i.e. the day for the extra general meeting) up to and including the date of the announcement of Bonava's interim report for the third quarter 2019.

1.6 Formulation and administration

The board of directors shall be responsible for the formulation and administration of the LTIP 2016, within the scope of terms and directions set out. The board of directors shall be entitled to make adjustments to fulfil specific regulation or market prerequisites in other jurisdictions. The board of directors shall be entitled to introduce an alternative long-term incentive plan in such countries where participation in the LTIP 2016 is not appropriate. If material changes occur in the Bonava group or in its business environment that would entail that the decided terms for allocation and the possibility to exercise the share rights in accordance with the LTIP 2016 no longer are appropriate, the board of directors shall be entitled to make other adjustments. Before finally

determining allocation of shares of series B on the basis of the share rights, the board of directors shall assess whether the outcome of the LTIP 2016 is reasonable. This assessment is made in relation to Bonava's financial earnings and position, conditions on the stock market and other circumstances. If the board of directors assesses that the outcome is not reasonable, the board of directors shall reduce the number of shares of series B to be allocated.

1.7 Scope

The maximum number of shares of series B in Bonava which may be allocated under the LTIP 2016 shall be limited to 338,903 (excluding compensation for dividend, if any) which represents approximately 0.3 per cent of all shares and approximately 0.1 per cent of all votes in the company. The number of shares of series B included in the LTIP 2016 shall, in accordance with the detailed conditions that the board of directors stipulates, be subject to recalculation if Bonava implements a bonus issue, a reversed share split or a share split, a rights issue or similar actions, taking into account customary practice for similar incentive plans.

1.8 Hedging

The board of directors has considered two alternative hedging methods for the LTIP 2016; either a hedging arrangement (equity swap) with a bank securing delivery of shares of series B under the plan or transfer of shares of series B in Bonava to entitled participants in the LTIP 2016. The board of directors considers the latter alternative to be the main alternative. The board of directors has therefore proposed that the general meeting shall authorise the board of directors to resolve on execution of acquisition of shares of series B in Bonava as well as resolve on transfer of shares of series B in Bonava that are held by the company in accordance with item B. below. The board of directors also proposes that the board of directors shall have the right to execute transfer of shares of series B in Bonava, which are held by the company, on Nasdaq Stockholm to cover social security costs under the plan. Should the general meeting, however, not approve of the board of directors' proposal under item B., the board of directors may enter into the hedging arrangement described above with a bank to secure the obligation of the company to deliver shares of series B under the plan. Such a hedging arrangement with a bank may also be used for the purpose to cover social security costs that accrue under the LTIP 2016.

1.9 Scope and costs under the plan

The share rights may not be pledged or transferred to others. Though, an estimated value for each share right may be calculated. The board of directors has estimated the average value of each share right to SEK 96.35. This estimate is based on the share price of the Bonava share on 5 August 2016. Based on the assumption that all persons who have been offered participation in the plan participate, that they make the maximum investment and that there is a 100 per cent fulfilment of the two performance targets as

well as estimates regarding employee turnover, the aggregate estimated value of the share rights is approximately MSEK 32.7. This value is equivalent to approximately 0.3 per cent of the market capitalisation for Bonava as of 5 August 2016.

The costs are recognised as staff costs in the profit and loss account during the Vesting Period, in accordance with IFRS 2 Share-based Payment. Social security costs shall be charged to the profit and loss account in accordance with UFR 7 during the Vesting Period. The size of these costs will be calculated based on the Bonava share price development during the Vesting Period and allocation of the share rights. Based on a constant share price during the plan's term, a Vesting Period of three (3) years as well as some additional assumption, the total cost of the LTIP 2016 including social security costs is estimated to amount to approximately MSEK 40, which on an annual basis corresponds to approximately 1.6 per cent of Bonava's total staff costs during the financial year 2015.

1.10 Effects on important key ratios

In the event of full participation in the LTIP 2016, Bonava's staff costs are expected to increase with approximately MSEK 13 annually (including social security costs). On a pro-forma basis for 2015, these costs represent a negative effect on Bonava's operating margin of approximately 0.3 per cent per units and a decrease of earnings per share of approximately SEK 0.12. However, the board of directors considers that the positive effects on Bonava's financial performance which are expected from an increased shareholding by the participants and the possibility to be allocated further shares in Bonava under the LTIP 2016, outweighs the costs related to the LTIP 2016.

1.11 The preparation of the proposal

The LTIP 2016 has been processed at board meetings in July and August 2016.

1.12 Other incentive plans in Bonava

There are no former share-related incentive plans in Bonava.

1.13 The proposal by the board of directors

Referring to the description above, the board of directors proposes that the general meeting resolves on the LTIP 2016.

1.14 Majority requirements

A resolution to introduce the LTIP 2016 in accordance with the board of directors' proposal is valid when supported by shareholders holding more than half of the votes cast at the general meeting.

B. AUTHORISATION FOR THE BOARD OF DIRECTORS TO RESOLVE ON EXECUTION OF ACQUISITION OF SHARES OF SERIES B IN BONAVA AND RESOLUTION TO TRANSFER SHARES OF SERIES B IN BONAVA

The board of directors' proposal to authorise the board of directors to resolve on execution of acquisition of shares of series B in Bonava and resolution to transfer shares of series B in Bonava as set out below, provides that the general meeting first has resolved on a long-term performance-based incentive plan (LTIP 2016) in accordance with item A. above.

2.1 Acquisition of shares of series B in Bonava

The board of directors proposes that the general meeting resolves to authorise the board of directors, for the period until the next annual general meeting, on one or several occasions, to resolve on execution of acquisition of shares of series B in the company in accordance with the following.

- A maximum of 411,386 shares of series B may be acquired (or a higher number of shares of series B due to recalculation as a result of a bonus issue, a share split, a rights issue or similar actions).
- Acquisition of shares of series B shall be conducted on Nasdaq Stockholm and to a price per share of series B that is within the registered range for the share price prevailing at the time (the so-called spread), i.e. the range between the highest purchase price and the lowest selling price, taking into consideration the, from time to time, applicable rules set out in the Nasdaq Stockholm Rule Book for Issuer. When an acquisition is made by a stock broker on behalf of the company, the price for shares of series B may, however, correspond to the volume weighted average price during the time period within which the shares of series B were acquired, even if the volume weighted average price on the day of delivery to the company falls outside the spread.
- Payment for shares of series B shall be made in cash.
- Acquisition shall be made for the purpose of securing the company's obligations (including costs for social security costs) under the LTIP 2016 and other, at any time, performance-based incentive plans resolved by a general meeting.

2.2 Transfer of shares of series B in Bonava to participants in the LTIP 2016

The board of directors proposes that the general meeting resolves to transfer shares of series B in the company in accordance with the following.

- Not more than 338,903 shares of series B in Bonava may be transferred (or the higher number of shares of series B due to recalculation as a result of a bonus issue, share split, rights issue or similar actions).
- The shares of series B may be transferred to participants in the LTIP 2016 who under the terms for the LTIP 2016 are entitled to receive shares.

- Transfer of shares of series B shall be made at the time and according to the other terms pursuant to which participants in the LTIP 2016 are entitled to receive shares of series B.

The reason for deviating from the shareholders' preferential rights is that the transfer of shares of series B is part of the execution of the LTIP 2016. Therefore, the board of directors considers the transfer of shares of series B in accordance with the proposal to benefit the company.

2.3 Transfer of shares of series B in Bonava on Nasdaq Stockholm

Further, the board of directors proposes that transfer also may take place of a maximum of 72,483 shares of series B on Nasdaq Stockholm to cover costs related to social security costs under the LTIP 2016. Transfer in accordance with this section shall be made prior to the next annual general meeting on Nasdaq Stockholm within the registered range for the share price for Bonava's share of series B from time to time. The reason for deviating from the shareholders' preferential rights are the same as set out under item 2.2 above.

2.4 Majority requirements

A resolution by the general meeting in accordance with item B. above is valid when supported by shareholders representing at least nine tenth of both the votes cast and the shares represented at the general meeting.

Solna in August 2016

Bonava AB (publ)

The Board of Directors