

## **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)**

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The board of directors proposes that the annual general meeting resolves on a long-term performance-based incentive plan (LTIP 2017) 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 annual general meeting resolves on transfer of shares of series B in Bonava in accordance with items A. and B. below. The structure of the plan is in all material respects consistent with the long-term performance-based incentive plan, adopted by the general meeting on 26 September 2016. A consequence of the introduction of LTIP 2017 is that the maximal short-term variable compensation for those offered to participate, will be adjusted downwards with 5-15 percentage points, to the extent the participant's maximum short-term variable compensation has not already been adjusted downwards as a consequence of participation in LTIP 2016.

### **A. LONG-TERM PERFORMANCE-BASED INCENTIVE PLAN**

#### **1.1 LTIP 2017 in brief**

The primary reason for implementing a long-term performance-based incentive plan is to align the interests of the shareholders with the interests of the executive management and other key personnel to ensure maximum long-term value creation. The LTIP 2017 will furthermore create a long-term group-wide focus on value growth among the participants. The incentive plan is also considered to facilitate Bonava's recruitment and retention of executive management and other key personnel.

The LTIP 2017 comprises of approximately 50 employees consisting of the executive management and certain key personnel. To participate in the LTIP 2017, 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 the same period of time. Further, allocation of shares of series B relates to the fulfilment of two performance targets, whereof one relates to Bonava's average yearly growth in earnings per share (EPS CAGR) 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 has not been positive, during a measurement period. The maximum number of shares of series B in Bonava which may be allocated in total under the LTIP 2017 shall be limited to 174,798<sup>1</sup> which represents approximately 0.16 per cent of all shares and approximately 0.07 per

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<sup>1</sup> Subject to any recalculation.

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 2017.

## **1.2 Participants in LTIP 2017**

The LTIP 2017 comprises approximately 50 employees consisting of members of the executive management and certain key personnel within the Bonava group, divided into four categories. The first category comprises Bonava's CEO, the second category comprises the CFO and the BU-managers, the third category comprises regional heads and the rest of the executive management, and the fourth category comprises employees who are responsible for certain functions in 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.

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

To participate in the LTIP 2017, the participant must invest in a personal shareholding in Bonava ("**Investment Shares**"), which shall be allocated to the LTIP 2017. The Investment Shares shall be acquired specifically for the LTIP 2017. The participant can invest a maximum of one month's salary (according to salary levels on 31 December 2016) before taxes in the LTIP 2017. The investment can be made at any of the following investment levels: 50 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, for the third category, each Investment Share entitles to four (4) share rights, and for the fourth category, each Investment Share entitles to three (3) 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 2020 (the "**Vesting Period**", which commences when the participant enters into an agreement regarding 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 a certain time after the annual 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. 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 annual 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 average yearly growth in earnings per share (EPS CAGR) 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 2018 – 30 June 2020 (the "**Measurement Period**"). A minimum level and a maximum level for each of the performance targets have been established by the board of directors. 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 average yearly growth in earnings per share (EPS CAGR) and 30 per cent weighting on Bonava's average return on capital employed (ROCE). Bonava intends to present the level of fulfilment of the performance targets after the closure of the plan. Full allocation of shares of series B requires that the total shareholder return (TSR) of the company's shares of series B is positive during a measurement period running from 1 July 2017 up to and including the date of the announcement of Bonava's half-yearly report 2020 (the end value compared to the start value including reinvested dividends). Otherwise, the scope of the plan and any allocation of shares of series B shall be reduced by 50 per cent.

### **1.6 Formulation and administration**

The board of directors shall be responsible for the formulation and administration of the LTIP 2017, 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 for participations employed in such countries where participation in LTIP 2017 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 2017 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 2017 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 2017 shall be limited to 174,798 which represents approximately 0.16 per cent of all shares and approximately 0.07 per cent of all votes in the company. The number of shares of series B included in the LTIP 2017 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, compensation for divided 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 2017; 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 2017. The board of directors considers the latter alternative to be the main alternative. The board of directors has therefore proposed that the annual 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 annual 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 2017.

### **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 140.30. This estimate is based on the share price of the Bonava share on 14 February 2017. 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, the aggregate estimated value of the share rights is approximately MSEK 24.5. This value is equivalent

to approximately 0.16 per cent of the market capitalisation for Bonava as of 14 February 2017.

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 assumptions, the maximal cost of the LTIP 2017 including social security costs is estimated to amount to approximately MSEK 28.4, which on an annual basis corresponds to approximately 1.01 per cent of Bonava's total staff costs during the financial year 2016.

### **1.10 Effects on important key ratios**

In the event of full participation in the LTIP 2017, Bonava's staff costs may increase with a maximum of MSEK 9.5 annually (including social security costs) based on the assumptions above. On a pro-forma basis for 2016, these costs represent a negative effect on Bonava's operating margin of approximately 0.07 per cent per units and a decrease of earnings per share of approximately SEK 0.09. 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 2017, outweighs the costs related to the LTIP 2017.

### **1.11 The preparation of the proposal**

The LTIP 2017 has been processed at board meetings and prepared in accordance with the guidelines adopted to be applied in LTIP 2016. The proposed changes are mainly that number of participants in the incentive plan increases from 25 to 50, the performance target related to Bonava's earnings before interests and taxes (EBIT) changes to a performance target related to Bonava's average yearly growth in earnings per share (EPS CAGR) and that the two performance targets in the future shall be weighted 70 % EPS CAGR and 30 % ROCE.

### **1.12 Other incentive plans in Bonava**

There is a share-related incentive plan that has previously been implemented in Bonava, LTIP 2016, see note 3 in Bonava's 2016 annual report, which is available at Bonava's website, [bonava.com](http://bonava.com) at the latest from 10 March 2017.

### **1.13 The proposal by the board of directors**

Referring to the description above, the board of directors proposes that the annual general meeting resolves on the LTIP 2017.

### **1.14 Majority requirements**

A resolution to introduce the LTIP 2017 in accordance with the board of directors' proposal is valid when supported by shareholders holding more than half of the votes cast at the annual 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 annual general meeting first has resolved on a long-term performance-based incentive plan (LTIP 2017) in accordance with item A. above.

#### **2.1 Acquisition of shares of series B in Bonava**

The board of directors proposes that the annual 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 202,423 shares of series B may be acquired.
- 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 2017 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 2017**

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

- Not more than 174,798 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,

a reversed share split or a share split, rights issue, compensation for divided or similar actions).

- The shares of series B may be transferred to participants in the LTIP 2017 who under the terms for the LTIP 2017 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 2017 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 2017. 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 37,386 shares of series B on Nasdaq Stockholm to cover costs related to social security costs under the LTIP 2017 and other, if any, at each time existing and by a general meeting approved, performance-based incentive plan. Transfer in accordance with this item 2.3 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 annual 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 annual general meeting.

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Solna in February 2017  
**Bonava AB (publ)**  
*The Board of Directors*