

## **THE BOARD OF DIRECTORS' REPORT PURSUANT TO SECTION 10.3 OF THE SWEDISH CORPORATE GOVERNANCE CODE REGARDING THE BOARD OF DIRECTORS' EVALUATION OF THE APPLICATION OF THE GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES ETC.**

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Pursuant to the Swedish Corporate Governance Code (the "**Code**") the board of directors shall establish a remuneration committee which shall, among other things, have as its primary task to monitor and evaluate programs for variable remuneration to the executive management, the application of the guidelines for remuneration resolved by the annual general meeting, as well as current remuneration structures and remuneration levels in the company. If the board of directors deems it more appropriate, the board of directors in full may perform the remuneration committee's tasks provided that no board member who is also part of the executive management takes part in the committee work. The board of directors of Bonava AB has considered it appropriate that the board of directors in full performs the remuneration committee's tasks under the Code.

Pursuant to Section 10.3 of the Code, the board of directors hereby submits the following report on the outcome of its evaluation of the programs for variable remuneration to the executive management, the application of the guidelines for remuneration to senior executives resolved by the annual general meeting, as well as the current remuneration structure and remuneration levels in the company.

### **Evaluation of the programs for variable remuneration to the executive management**

The short-term variable remuneration to the Chief Executive Officer may amount to a maximum of 50 per cent of the fixed salary, and for other members of the company's executive management, the variable remuneration may amount to a maximum of between 30 and 40 per cent of the fixed salary. This remuneration is cash-based. The board of directors has evaluated the set objectives for the short-term variable remuneration and the outcome for 2018. The board of directors' assessment is that the remuneration is well in line with the shareholders' interests and that the short-term variable remuneration is important in order to motivate and retain members of the executive management.

Bonava has three ongoing long-term share-based incentive plans, following resolutions by the extraordinary general meeting on 26 September 2016 (LTIP 2016), the annual general meeting on 4 April 2017 (LTIP 2017) and the annual general meeting on 25 April 2018 (LTIP 2018). The plans comprises approximately 25, 50 and 50 employees respectively, consisting of members of the executive management and certain key personnel within the Bonava group. The board of directors has evaluated these plans and has noted that the level of participation has been high. Although the plans do not expire until late 2019, 2020 and 2021 respectively, the board of directors is positive that the plans contributes to motivate and retain senior executives. The board of directors has therefore proposed that the annual general meeting 2019 shall adopt a long-term share-based incentive plan (LTIP 2019) which in all material respects has the same features as the previous incentive plans, with certain amendments as regards, inter alia, the performance targets. The plan presented to the annual general meeting for resolution comprises an equal group of

participants as in the latest plan, with the purpose to motivate and retain key personnel within Bonava. The proposed group of participants comprises the executive management and key personnel in the business units, in total approximately 50 employees.

**The application of guidelines for remuneration to senior executives, current remuneration structures and remuneration levels**

According to the current guidelines for remuneration to senior executives adopted by the annual general meeting of Bonava AB on 25 April 2018, the objective of the guidelines is that the company shall offer remuneration in line with market conditions that enables the company to recruit and retain people with the best possible competence. The total remuneration package shall support the company's strategy. The board of directors considers that the guidelines have given the company the ability to recruit and retain senior executives with appropriate skills. The guidelines have also contributed to a well-balanced remuneration to senior executives. The board of directors' evaluation furthermore shows that the guidelines have been applied correctly and that no deviations have been made from these. The company's auditors have provided a statement to the board of directors stating that Bonava has not deviated from the guidelines for remuneration to senior executives adopted by the annual general meeting in 2018.

Based on market surveys, the board of directors concludes that the remuneration structures and remuneration levels in the company are in line with market conditions.

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Stockholm in March 2019

**Bonava AB (publ)**

*the Board of Directors*