

# Remuneration report 2020

## Introduction

This remuneration report provides an outline of how Bonava's guidelines for executive remuneration, adopted by the annual general meeting 2020, have been implemented in 2020. The report also provides details on the remuneration to Bonava's CEO. In addition, the report contains a summary description of Bonava's outstanding share and share-price related incentive plans, and any such plan that was completed during 2020.

Remuneration of the board of directors is not covered by this report. Such remuneration is resolved annually by the annual general meeting and disclosed in note 4 on page 71 in the annual report 2020.

Information required by Chapter 5, Sections 40-44 of the Annual Accounts Act (1995:1554) is set out on page 4 in the annual report 2020.

Information on the work of the remuneration committee in 2020 is set out in the corporate governance report available on page 103 in the annual report 2020.

## Key developments 2020

The CEO summarizes the company's overall performance in his statement on page 7 in the annual report 2020.

## Guidelines for remuneration

In Bonava's guidelines for remuneration it is stated that remuneration to the CEO shall be on market terms and promote the long-term business strategy. A prerequisite for a successful implementation of the company's business strategy and protection of its long-term interests, including sustainability, is that the company can recruit and retain qualified employees. For this purpose, it is necessary for the company to offer a competitive remuneration.

Remuneration to the CEO consists of fixed cash salary, variable cash remuneration, pension benefit and other benefits.

The remuneration guidelines, adopted by the annual general meeting 2020, are set out on pages 51 – 52 in the annual report 2020. The auditor's report regarding the company's compliance with the guidelines is available on the company's website.

In addition to remuneration covered by the remuneration guidelines, the annual general meeting of Bonava has resolved to implement long-term share-related incentive plans. The incentive plans are distinctly linked to the business strategy and thereby sustainability and to the company's long-term value creation through the defined performance measures.

## Total remuneration of the CEO

*Table 1 – Total remuneration to the CEO for the financial year 2020*

		Base salary	Variable cash remuneration	Share-based remuneration	Benefits	Occupational pensions	Other remuneration <sup>1</sup>	Total remuneration
Joachim Hallengren CEO	kSEK	7,080	2,494	0	73	1,982	-	11,629
	Percentage of total remuneration	61%	21%	0%	1%	17%	0%	-

Base salary includes holiday pay and reduced working hours. Benefits includes car benefit, health and life insurance. Other remuneration includes, where applicable, severance pay. Variable cash remuneration refers to earned and actual paid remuneration attributable to the financial year and performance in 2020. Share-based remuneration refers to accounted cost according to IFRS2 for all ongoing programmes. Any paid out share-based remuneration is presented in Table 2 below. Variable cash remuneration and share-based remuneration (variable remuneration), amounted to 27.3% of base salary, benefits and occupational pensions (fixed salary).

### Variable cash remuneration

Variable cash remuneration is linked to predetermined and measurable criteria with a clear connection to the company's predefined financial or qualitative objectives. Variable cash remuneration may amount to a maximum of 50% of the fixed cash remuneration. The outcome is related to the achievement of set targets regarding profitability as well as sold and established housing, for the group<sup>2</sup>. The board of directors is responsible for the evaluation of the CEO's outcome. The outcome for the financial year 2020 amounted to 74% of the maximum possible outcome.

### Share-based remuneration

#### *Outstanding share and share-price related incentive programmes*

During 2020, Bonava had four outstanding long-term performance-based share programmes for 50 senior executives and key personnel within the Bonava Group (LTIP 2017, LTIP 2018, LTIP 2019 and LTIP 2020). The purpose of the programmes is to connect the shareholders' and the executive management's interests ensure maximum long-term value creation, to create a long-term group-wide focus on performance development and to facilitate the

<sup>1</sup> The resignation of the CEO was announced in 2020, but the CEO worked in his regular role during the year and received his regular remuneration during the financial year 2020.

<sup>2</sup> The weighting of the targets in 2020 is as follows: 40% return on capital employed, 40% value of units sold and 20% number of units started.

recruitment and retention of members of the executive management and other key personnel.

The duration of the incentive programmes are three years. Participation in the programmes requires an investment in shares of Bonava, so called investment shares, which are allocated to the programme. All programs are limited to a maximum of 400% of the share price (including any compensation for dividends) upon vesting.

LTIP 2017's performance period ran from 1 July 2018 – 30 June 2020 for the measures EPS and ROCE and the date of vesting was at the publication of Bonava's interim report for the first half 2020. No payments have been made as the performance targets in the programme were not met.

LTIP 2018's performance period ran from 2019 – 2020 for the measures EPS and ROCE and the date of vesting is at the publication of Bonava's interim report for the third quarter 2021, and at the same time, total shareholder return (TSR) is measured.

LTIP 2019's performance period ran from 2019 – 2021 for the measures ROCE. The measures TSR and relative TSR are measured as a comparison where the starting value was at the time of publication of Bonava's interim report for the first half 2019 and the end value is at the corresponding time in 2022. Vesting occurs after the publication of Bonava's interim report for the third quarter of 2022.

LTIP 2020's performance period ran from 2020 – 2022 for the measures ROCE. The measures TSR and relative TSR are measured as a comparison where the starting value was at the time of publication of Bonava's interim report for the first quarter of 2020 and the end value is at the corresponding time in 2023. Vesting occurs after the publication of Bonava's interim report for the first quarter of 2023.

*Table 2 – Share-based remuneration to the CEO*

	Programme	Number of invested shares	Number of awarded share awards	Value of allocated share rights (SEK) <sup>3</sup>	Number of unvested shares	Number of vested shares	Value of vested shares (SEK)
Joachim Hallengren, CEO	LTIP 2017	2,495	14,968	2,100,000	14,968	0	0
	LTIP 2018	4,212	25,257	3,000,000	25,257	0	-
	LTIP 2019	4,230	25,381	3,000,000	25,381	0	-
	LTIP 2020	12,673	76,037 <sup>4</sup>	3,300,000	76,037	0	-
	<b>TOTALT</b>	<b>23,610</b>	<b>141,642</b>	<b>11,400,000</b>	<b>141,642</b>	<b>0</b>	<b>0</b>

<sup>3</sup> Share price at the time of allocation in LTIP 2017 SEK 140.30; LTIP 2018 SEK 118.70; LTIP 2019 SEK 118.20; LTIP 2020 SEK 43.40. Value of allocated share rights and synthetic shares are not discounted for performance requirements.

<sup>4</sup> Of which 38,018 synthetic shares.

## Comparative information on the change of remuneration and company performance

*Tabell 3 – Change in remuneration and the company's performance during the last two reported financial years*

<b>Annual change</b>	<b>2019/2020</b>
<i>CEO Remuneration<sup>5</sup></i>	
Yearly change in total remuneration	39% <sup>6</sup>
<i>Company's performance</i>	
Net operating income <sup>7</sup>	-7%
<i>Average remuneration on a full time equivalent basis of employees</i>	
Bonava AB <sup>8</sup>	1% <sup>9</sup>

### Reclaimed remuneration

The board of directors has not reduced or reclaimed any remuneration paid.

### Implementation of the guidelines

No deviations from the guidelines were made during the year. The board and the remuneration committee have handled the remuneration in accordance with the process and the principles set out in the guidelines.

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<sup>5</sup> Total remuneration refers to paid or earned remuneration during 2020 and includes all remuneration components as they are presented in table 1.

<sup>6</sup> The increase for the CEO is due to the fact that the short-term variable cash remuneration attributable to the 2019 performance was SEK 0, while for 2020 it was SEK 2.5 million.

<sup>7</sup> Excluding items affecting comparability. For more information see note 2 on page 69 in the annual report 2020.

<sup>8</sup> Total remuneration for all other employees in the parent company Bonava AB divided by the number of full-time equivalents during each year.

<sup>9</sup> The salary review for 2020 has been postponed due to delayed collective bargaining. In 2020, Bonava also introduced short-time furlough for 3 months for most employees.