

Directors' Remuneration Report

Introduction

This report describes how remuneration guidelines for K2A's senior executives, as adopted by the 2020 AGM and unchanged in 2021, were applied in 2021. The report also contains information about remuneration of the CEO. The report was prepared in accordance with the Swedish Companies Act and the Rules on Remuneration of the Board and Executive Management and on Incentive Programmes (the Remuneration Rules) issued by the Swedish Corporate Governance Board. For more information about remuneration of senior executives, refer to Note 5 in the 2021 Annual Report. The guidelines are revised every fourth year or when required, the Board does not propose any changes to the guidelines in 2022.

The fees paid to K2A's Board members are not included in this report. Board fees are decided annually by the AGM and presented in Note 5 of the 2021 Annual Report.

The company's performance in 2021

A summary of the company's results and performance is presented on pages 124–125.

The company's guidelines for remuneration of senior executives: application, purpose and deviations

To promote the company's business strategy, long-term interests and sustainability and thereby deliver favourable long-term value growth for its shareholders, K2A shall have market-based remuneration levels and terms of employment in order to retain and, if necessary, recruit senior executives with the desired expertise and experience. The total remuneration package shall be based on such factors as position, performance and individual qualification.

Remuneration principles and control functions are set out in the guidelines, which state that remuneration must support the company's strategy, objectives, values and long-term interests and ensure that conflicts of interest are avoided. This shall promote value creation, motivate high performance, a risk appetite in line with the Board's established tolerance level and sound and responsible behaviour based on K2A's values. The remuneration of employees shall reflect the complexity, responsibilities and leadership skills required by the role, as well as the individual's own performance. K2A continuously monitors the performance and development of its employees. The total remuneration package for senior executives may include the following components: fixed salary, pension benefits and other benefits. There are also terms related to termination.

- Fixed salary. Remuneration is based on the importance of the work duties, qualifications, experience and performance. The fixed salary shall be considered equivalent to market-based compensation for a satisfactory performance. The fixed salary shall be reviewed annually to ensure the salary is market-based and competitive.
- Pension benefits. Pension provisions are made for senior executives corresponding to a maximum of 25 per cent of fixed salary. The retirement age is 65 years. Senior executives shall have defined-contribution plans unless they are covered by a defined-benefit pension plan under the provisions of a collective agreement.
- Other benefits. Other benefits may be paid in the form of, for example, health insurance and a company car, and are intended to help the person discharge their duties. The total value of these benefits should be aligned with market practice and be limited in relation to the total remuneration package.

The maximum period of notice for employees is six months. Salary during a notice period may not exceed an amount corresponding to fixed salary for six months. In addition, remuneration may be payable under a non-compete clause. Such remuneration shall compensate any loss of income. The remuneration shall not exceed 60 per cent of the fixed salary, unless otherwise stipulated by provisions of collective agreements, and be paid for the period of the non-compete clause, which is a maximum of 18 months after the termination of employment. No severance packages are paid.

When preparing the Board's proposal for the remuneration guidelines, special attention has been paid to the salary and terms of employment for the company's employees by comparing and assessing the fairness of work duties, total remuneration, remuneration components and the increase and rate of increase of the remuneration over time. This formed part of the Remuneration Committee's recommendation to the Board when assessing whether the guidelines and their subsequent limits are reasonable.

The Board has the right to depart from the remuneration guidelines, in whole or in part, if this can be justified in particular circumstances. The Remuneration Committee's duties include making recommendations to the Board on remuneration matters, which includes decisions to depart from the guidelines. Deviations may only be made if this is necessary to satisfy the long-term interests and sustainability of the company, or to ensure the financial viability of the company. If the Board decides to deviate from the guidelines for remuneration of Board members and company management, this must be presented at the next AGM.

K2A's control functions for remuneration

The Board has established a Remuneration Committee tasked with making recommendations to the Board on matters related to remuneration principles, remuneration and other terms of employment for senior executives. The Remuneration Committee shall therefore propose guidelines for the remuneration of Board members and senior executives, which the Board shall present to the AGM for a decision at least every fourth year. The Remuneration Committee shall also monitor and evaluate variable remuneration programmes for senior executives (if applicable) that are ongoing or that ended during the year, and monitor and evaluate the application of the remuneration guidelines for Board members and company management as adopted by the AGM, and the remuneration structures and levels currently applied by the company. The Chair of the Board may chair the Committee. Other members must be independent of the company and company management.

The Remuneration Committee is a deliberating body and has no independent power of decision, unless the Board expressly authorises the Remuneration Committee to take decisions on a specific matter. The Remuneration Committee makes a recommendation for remuneration of the CEO, which is approved by

the Board at a regular Board meeting, while remuneration levels for other senior executives are approved by the Remuneration Committee on a proposal from the CEO.

Terms of employment for the CEO and other senior executives

Johan Knaust is a Board member and the CEO of K2A. Johan Knaust receives fixed monthly remuneration of SEK 250,000. In the event of termination, a six-month period of notice applies for both the company and Johan Knaust. If the company is the terminating party, Johan Knaust shall receive a termination payment corresponding to a maximum amount of six monthly salaries. Johan Knaust is not entitled to severance pay. Other senior executives have customary terms of employment.

In 2021, the company followed the applicable remuneration guidelines as adopted by the AGM. There were no deviations from the guidelines, or from the decision-making process that applies to the determination of remuneration in accordance with the guidelines. The auditor's report on the company's compliance with the guidelines will be available at <https://investerare.k2a.se/bolagsstammor> no later than three weeks prior to the 2022 AGM. The company has not demanded repayment of any remuneration paid to senior executives.

Remuneration of senior executives

| TSEK | Basic salary 2021 | Pension and other benefits 2021 | Basic salary 2020 | Pension and other benefits 2020 |
|--------------------------|-------------------|---------------------------------|-------------------|---------------------------------|
| CEO | 3,060 | 5 | 3,060 | – |
| Other senior executives* | 11,140 | 2,976 | 11,412 | 1,764 |
| Total | 14,200 | 2,981 | 14,472 | 1,764 |

Comparative information regarding changes in remuneration and the company's profit from property management

| TSEK | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|---------|---------|---------|---------|---------|
| Remuneration, CEO | 3,065 | 3,060 | 2,603 | 1,922 | 1,800 |
| Remuneration, other senior executives* | 14,116 | 13,179 | 3,985 | 2,211 | 2,062 |
| Total remuneration, senior executives | 17,181 | 16,236 | 6,588 | 4,133 | 3,862 |
| Remuneration, other employees | 47,794 | 41,652 | 41,063 | 31,512 | 17,330 |
| Net profit for the year | 756,528 | 219,564 | 202,748 | 173,586 | 219,942 |
| Remuneration, senior executives/Net profit for the year, % | 2 | 7 | 3 | 2 | 2 |

* In 2021, the number of senior executives increased to ten people, compared with nine people in 2020. Between May and December 2021, remuneration was paid to CFO Ola Persson in the form of consultancy fees and is not included in the amount above.

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K2A Knaust & Andersson Fastigheter AB (publ)

Board of Directors