

Remuneration report Clas Ohlson AB (publ), pertaining to 2022/2023 financial year (1 May 2022 – 30 April 2023)

Introduction

This report describes how the guidelines for remuneration of senior management of Clas Ohlson AB, adopted by the Annual General Meeting (AGM) held in September 2020, were implemented in the 2022/2023 financial year. The report also provides information about remuneration of the President and CEO Kristofer Tonström as well as a summary of the company's outstanding share-based and share price-based incentive programmes.

The report has been prepared in accordance with the Swedish Companies Act and the Remuneration Rules issued by the Swedish Corporate Governance Board.

Further information on remuneration of senior management is available in Note 6 (Expenses for employee benefits) on pages 52-55 in the 2022/2023 Annual Report. Information on the work of the People Committee (Remuneration Committee) in 2022/2023 is set out in the corporate governance report available on pages 26-30 in the 2022/2023 Annual Report.

Director fees are not covered by this report. Such remuneration is resolved annually by the Annual General Meeting and disclosed in Note 6 on page 52 in the 2022/2023 Annual Report.

Key developments in 2022/2023

The CEO summarises the company's overall performance in his statement on page 4 in the 2022/2023 Annual Report.

The company's remuneration guidelines: scope, purpose and deviations

These guidelines encompass the President and CEO and Clas Ohlson AB's Group Management. The overall objective of the company's guidelines for remuneration of senior management is to support Clas Ohlson's business strategy, the company's financial targets and safeguarding the company's long-term interests, including its sustainability. Clas Ohlson intends to offer remuneration levels that will attract, retain and motivate key individuals whose roles are important to achieve the company's overall objectives. These guidelines enable the company to offer senior management a competitive total remuneration.

Total remuneration is to be based on position and be attractive and competitive in the country of employment. The company believes that a balanced remuneration structure will provide senior management with the incentive to focus on creating long-term shareholder value, while the company will have the opportunity to offer cash incentives for the achievement of short-term performance objectives that contribute to the company's business strategy and the company's long-term interests. The total remuneration is to be market-based and may consist of: fixed annual basic salary, annual variable performance-based cash remuneration based on annual performance targets, pension and health benefits and other benefits that are common in the country of employment.

The guidelines are found on page 29 in the 2022/2023 Annual Report. Under the guidelines, the Board may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the company's long-term interests, including its sustainability, or to ensure the company's financial viability. No deviations from the guidelines have been decided in the 2022/2023 financial year and no derogations from the procedure for implementation of the guidelines have been made. The auditor's report regarding the company's compliance with the guidelines is available on <https://about.clasohlson.com/en/corporate-governance/>. No remuneration has been reclaimed. In addition to remuneration covered by the remuneration guidelines, the AGM of the company have resolved to implement long-term share-based incentive plans.

Table 1 – Total CEO remuneration in 2022/2023 (kSEK)

Name	Period	Fixed remuneration		Variable remuneration		Extraordinary items	Pension expense	Total remuneration	Proportion of fixed/variable remuneration, % *****
		Basic salary*	Other benefits**	One-year variable remuneration ***	Multi-year variable remuneration**				
Kristofer Tonström	1 May 2022–30 Apr 2023	6,643	158	1,156	0	0	2,325	10,281	89/11

* Remuneration for period stated above

** Benefits comprising company car, fuel, congestion charge, health insurance

*** Short-term incentive plan calculated using rounded months

**** A description of applicable multi-year variable remuneration is provided under the heading Summary of the long-term incentive programme (CEO)

***** Fixed salary (basic salary, other benefits, pension), variable salary (annual, multi-year remuneration, extraordinary items, no pension provisions on variable salary)

Share-based remuneration

Outstanding share-based and share price-based incentive plans 2022/2023

Long-term incentives (“LTI”)

The aim of LTI programmes is to create the prerequisites for retaining and recruiting competent employees to the Group. The programmes were designed to encourage participants to become shareholders in the company, which is expected to have a positive impact on their long-term work performance. Connecting participants’ remuneration to the company’s profit and value development will continue to promote company loyalty and thus sustainable value growth in the company.

Long-term incentive programmes that entitle employees to acquire shares are subject to AGM approval. The performance period for LTI 2020, LTI 2021 and LTI 2022 were in effect during the financial year. The performance period for LTI 2020 was concluded at the close of the financial year. LTI 2020 is a share matching and profit-based employee stock option plan, while LTI 2021 and LTI 2022 are performance share award programmes that entitle the participant to be allotted performance shares provided that the performance conditions for LTI are fulfilled.

All ongoing long-term incentive programmes have been approved by the AGM. LTI 2020 encompasses a maximum of 100 members of senior management and other key individuals in the Clas Ohlson Group and LTI 2021 and LTI 2022 encompass a maximum of 50 members of senior management and other key individuals in the Clas Ohlson Group.

For LTI 2020, participants have been divided into two groups of individuals who are regarded as having considerable potential to influence Clas Ohlson AB’s long-term performance; (i) senior management comprising the CEO, Group Management and country managers, and (ii) key individuals in the form of other co-workers who could develop into members of senior management or assume other key positions within the Group.

For senior management, LTI 2020 entails that the participant acquires series B shares in Clas Ohlson AB at a value corresponding to at least 3 per cent and a maximum of 10 per cent of their basic annual salary. Participants acquire the shares at market price, which the company will later match (1:1) free of charge through allotment of matching shares. If the employee holds the acquired shares and is still employed by the Group after the end of the performance period, the company will issue matching shares to the employee. The employee may also be allotted conditional performance-based employee stock options.

For key individuals, LTI 2020 entails that participants receive an allotment of conditional performance-based employee stock options free of charge. The number of allocated employee stock options is based on the calculated number of shares, which, at the prevailing market price at the start of the programme, corresponds to a value of a minimum of 3

per cent and a maximum of 10 per cent.

In 2021, the structure of the company's long-term incentive programme was revised. As with earlier programmes, LTI 2021 targets senior management and key individuals who are critical for Clas Ohlson's long-term success. Each participant in LTI 2021 and LTI 2022 received one performance share award free of charge that provides the participant the opportunity to be allotted a number of series B shares in Clas Ohlson AB, provided that the performance conditions of the programme have been fulfilled. The value of the underlying shares offered when granted a performance share award will be 45 per cent of the individual fixed annual gross basic salary. The amount is divided by the share price at the start of the programme to calculate the number of underlying shares for each participant. Any allotment of performance shares will take place after the end of a three-year vesting period provided that the participant has been a permanent employee for the entire vesting period and the predetermined performance targets have been achieved.

LTI 2020

The qualification and performance periods for LTI 2020 ran from 1 May 2020 until 30 April 2023. A total of 724 matching shares were allotted on 2 May 2023, after the end of the financial year, in accordance with the AGM's resolution regarding share matching of one share per share purchased to those participants who remained employed after the three-year qualification period. The established performance criteria regarding average sales growth was achieved but not for increased earnings per share, meaning that no options may be exercised by the participants and, accordingly, the LTI 2020 has been concluded.

LTI 2021

The performance period for the LTI 2021 long-term incentive programme runs from 1 May 2021 until 30 April 2024. Any allotment of performance shares will take place after the end of a three-year vesting period provided that the participant has been a permanent employee for the entire vesting period and the predetermined performance targets have been achieved.

LTI 2022

The performance period for the LTI 2022 long-term incentive programme runs from 1 May 2022 until 30 April 2025. Any allotment of performance shares will take place after the end of a three-year vesting period provided that the participant has been a permanent employee for the entire vesting period and the predetermined performance targets have been achieved.

The above programmes are described in more detail in Note 6 of the Annual Report.

Summary of the long-term incentive programme (CEO)

The following summary is of the long-term incentive programmes that ran during the 2022/2023 financial year.

During the 2022/2023 financial year, President and CEO Kristofer Tonström was included in LTI 2021 and LTI 2022. During the financial year, Kristofer Tonström received one performance share award ("**LTI award**"), which offers him the opportunity to be allotted, free of charge, a number of series B shares in Clas Ohlson. The value of the underlying shares offered when granted the LTI right will be 45 per cent of his fixed annual gross basic salary in 2022. However, since the programme is ongoing, no performance shares were allotted under LTI 2021 and LTI 2022 during the financial year, which is why no outcome for multi-year variable remuneration is presented in table 1.

Application of performance criteria

The performance measures for the CEO's variable remuneration have been selected to deliver the company's strategy and to encourage behaviour which is in the long-term interest of the company. In the selection of performance measures, the strategic objectives and short-term and long-term business priorities have been taken into account. The non-financial performance measures further contribute to alignment with the company's strategic and sustainability targets as well as the company values.

Short Term Incentive, STI

In addition to basic salary, senior management are to qualify for STI for performance that exceeds one or several predetermined performance levels during a financial year, designed to promote the company's long-term value creation. Clearly defined performance targets are to be decided annually by the Board or by individuals elected by the Board. The performance targets may be connected to operational, financial or personal results. Remuneration from the STI programme is subject to a ceiling, which means that Clas Ohlson AB can calculate maximum remuneration levels from the beginning. Insofar as performance does not match the lowest performance level, no STI will be paid. STI will depend on the position held by the senior manager and may not exceed 60 per cent of the total annual fixed basic salary if the ceiling is achieved, which also represents the maximum outcome of STI.

Table 2 – Performance of the CEO in the reported financial year: Short Term Incentive (STI)

Name	Description of performance criteria	Weighting of performance criteria	a. Target achieved b. Total outcome
Kristofer Tonström	EBIT (MSEK) pre IFRS 16 Adjustment	25%	a. 228 MSEK b. 0 SEK
	Total Organic Growth (percent) in local currencies	40%	a. 1% b. 0 SEK
	Working Capital/Inventory level (MSEK) per B/S end Q4 2022/2023	10%	a. 2,177 MSEK b. 159 kSEK
Kristofer Tonström	Qualitative target; (scale 1–5) Individual total performance including: (i) Contribution to an increased NPS at Group level (ii) Contribution to e-com growth (ii) Contribution to our sustainability agenda with particular focus on diversity & inclusion, contribution to positive trend in BPS.	25%	a. 5 b. 997 kSEK
Total outcome STI			
Kristofer Tonström			1,156 kSEK

Comparative information on the change of remuneration and company performance

Table 3 – Change of remuneration and company performance over the last five reported financial years (RFY) (kSEK) (excl. members of Group Management)

	2018/2019 vs 2017/2018	2019/2020 vs 2018/2019	2020/2021 vs 2019/2020	2021/2022 vs 2020/2021	2022/2023 vs 2021/2022	2022/2023
CEO remuneration	-3,436 (-24%)	+735 (+7%)	-804 (-7%)	+862 (+7%)	-1,019 (-9%)	10,281
Group operating profit	-374,300 (-80%)	+359,800 (+383%)	+84,000 (+19%)	+104,100 (+19%)	-336,900 (-52%)	305,000
Average remuneration on a full-time equivalent basis of employees* of the Parent Company	+48.03 (+10.6%)	+52.38 (+10.5%)	-24.97 (-4.5%)	-2.90 (-0.5%)	-33.5 (-6.4%)	492

* Excluding members of Group Management