

Remuneration report Clas Ohlson AB, pertaining to 2020/2021 financial year (1 May 2020 – 30 April 2021)

Introduction

This report describes how the guidelines for executive remuneration of Clas Ohlson AB, adopted by the Annual General Meeting (AGM) held in September 2020, were implemented in the 2020/2021 financial year. The report also provides information about remuneration of the CEO:

- Lotta Lyrå CEO 1 May 2020 – 4 December 2020
- Pär Christiansen Interim CEO 5 December – 7 February 2021*
- Kristofer Tonström CEO 8 February 2021 – 30 April 2021**

The report also provides a summary of the company's outstanding share-based and share price-based incentive plans.

* Pär Christiansen's remuneration (fixed and variable) was calculated for the period stated above.

** Kristofer Tonström's employment started on 11 January 2021 but he took office as CEO on 8 February 2021. His remuneration was calculated for the period stated above.

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 executive remuneration is available in Note 6 (Expenses for employee benefits) on pages 73–76 in the 2020/2021 Annual Report. Information on the work of the People Committee (Remuneration Committee) in 2020/2021 is set out in the corporate governance report available on pages 47–51 in the 2020/2021 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 73 in the 2020/2021 Annual Report.

Key developments in 2020/2021

The CEO summarises the company's overall performance in his statement on page 6 in the 2020/2021 Annual Report.

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

These guidelines encompass the CEO and Clas Ohlson AB's Group Management ("Senior Executives"). The overall objective of the company's guidelines for remuneration of senior executives 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 employees whose roles are to achieve the company's overall objectives. These guidelines enable the company to offer Senior Executives 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 Executives 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 pages 38–39 in the 2020/2021 Annual Report. In 2020/2021, the company complied with the applicable remuneration guidelines adopted by the general meeting. No deviations from the guidelines have been decided 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 annual general meetings of the company have resolved to implement long-term share-based incentive plans.

Table 1 – Total CEO remuneration in 2020/2021 (kSEK)

Name	Period	Fixed remuneration		Variable remuneration				Total remuneration	Proportion of fixed/variable remuneration, %*****
		Basic salary*	Other benefits**	One-year variable remuneration***	Multi-year variable remuneration****	Extraordinary items	Pension expense		
Lotta Lyrå	1 May 2020-4 Dec 2020	5,191	116	1,122	0	0	1,455	7,884	86/14
Pär Christiansen	5 Dec 2020-7 Feb 2021	1,040	15	139	0	0	205	1,399	90/10
Kristofer Tonström	8 Feb 2021-30 April 2021	1,489	32	536	0	0	567	2,624	80/20

*Remuneration for period stated above

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

***Short-term incentive plan calculated using rounded months for the period in which the individual held the position of CEO.

****A description of applicable multi-year variable remuneration is provided under the heading Summary of share option plan (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 2020/2021

Long-term incentives ("LTI")

The objective of LTI plans is to generate conditions 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 plans that entitle employees to acquire share are subject to AGM approval. The performance period for LTI 2018, LTI 2019 and LTI 2020 were in effect during the financial year. The performance period for LTI 2018 was concluded at the close of the financial year. All long-term incentive plans are share matching and profit-based employee stock option plans.

All ongoing long-term incentive plans were approved by an annual general meeting. The current programme covers up to 100 senior executives and other individuals deemed to be able to influence Clas Ohlson's long-term performance.

All participants up to and including LTI 2014 acquired series B shares in Clas Ohlson corresponding to a value of not less than 5 per cent and not more than 10 per cent of their annual fixed salary. Participants acquired series B Clas Ohlson shares, at market price and received share rights, 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 profit-based employee stock options, see the description below.

The programmes from LTI 2015 have been changed by dividing the participants into two groups:

- senior executives comprising senior management including the CEO, Group Management and country managers or corresponding positions elected by the Board, regarded as having considerable potential in their present position to influence Clas Ohlson AB's long-term development ("senior executives").
- other employees who could develop into senior executives or assume other key positions within the Group and thus influence Clas Ohlson AB's long-term development ("key individuals").

For senior executives, the programme is unchanged compared with earlier programmes, see the description above. For key individuals, LTI 2018, LTI 2019 and LTI 2020 entail that participants receive an allotment of conditional performance-based employee stock options free of charge. The number of allotted employee stock options is based on the calculated number of shares, which, at the prevailing market price at the start of the plan, corresponds to a value of a minimum of 3 and a maximum of 10 per cent (LTI 2018 a minimum of 5 per cent and a maximum of 10 per cent) of the key individual's annual fixed salary.

LTI 2018

The qualification and performance periods for LTI 2018 ran from 1 May 2018 until 30 April 2021. After the end of the reporting period, a total of 5,916 shares (to senior executives) were allotted on 3 May 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 and increased earnings per share for the period 2018–2021 were not achieved, meaning that no options in LTI 2018 may be utilised to acquire shares and, accordingly, LTI 2018 was concluded.

LTI 2019

The qualification and performance periods for LTI 2019 run from 1 May 2019 until 30 April 2022. Allotment of matching shares to senior executives with 1 share per share purchased will take place to those participants who remained employed after the three-year qualification period in May 2022. Options will be allotted if the targets established by the Board have been fulfilled as per 30 April 2022.

LTI 2020

The qualification and performance periods for the LTI 2020 long-term incentive plan runs from 1 May 2020 until 30 April 2023. Allotment of matching shares to senior executives with 1 share per share purchased will take place to those participants who remained employed after the three-year qualification period in May 2023. Options will be allotted if the targets established by the Board have been fulfilled as per 30 April 2023.

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

Summary of share option plan (CEO)

The following summary is of the long-term incentive plans that ran during the 2020/2021 financial year, meaning LTI 2018, LTI 2019 and LTI 2020.

Lotta Lyrå was not allotted any matching shares or options for LTI 2018 or LTI 2019 during the financial year because she terminated her employment before the performance periods for both plans ended. Also, Lotta Lyrå did not participate in LTI 2020. Lotta Lyrå does not have any outstanding interests in any of the LTI plans for future years.

Pär Christiansen is a participant of LTI 2018, LTI 2019 and LTI 2020 in his capacity as CFO. Under LTI 2018, he received 1,920 matching shares for a value of 90.65 SEK per share based on the closing price on 30 April 2021. He did not receive additional allotment due to his position as Interim CEO between 5 December 2020 and 7 February 2021, and therefore no outcome for multi-year variable remuneration is presented in table 1.

Kristofer Tonström, who took office as CEO on 8 February 2021, was not a participant of any long-term incentive plan in the 2020/2021 financial year.

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 for 2020/2021 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.

Variable salary (Short Term Incentive, STI)

In addition to fixed salary, senior executives 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 plan is subject to a ceiling, which means that Clas Ohlson 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 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: variable cash remuneration STI

Name	Description of performance criteria	Weighting of performance criteria	a, Target achieved b, Total outcome
Lotta Lyrå	EBIT (MSEK) pre IFRS 16 Adjustment	30%	a, 538 MSEK b, 612' SEK
	Total Organic Growth (percent) in local currencies	30%	a, - 1 % b, 0' SEK
	Working Capital/Inventory level (MSEK) per B/S end Q4 2020/2021	15%	a, 1,831.7 MSEK b, 0 SEK
Pär Christiansen	EBIT (MSEK) pre IFRS 16 Adjustment	30%	a, 538 MSEK b, 76' SEK
	Total Organic Growth (percent) in local currencies	30%	a, - 1 % b, 0 SEK
	Working Capital/Inventory level (MSEK) per B/S end Q4 2020/2021	15%	a, 1,831.7 MSEK b, 0' SEK
Kristofer Tonström	EBIT (MSEK) pre IFRS 16 Adjustment	30%	a, 538 MSEK 244' SEK
	Total Organic Growth (percent) in local currencies	30%	a, - 1 % b, 0
	Working Capital/Inventory level (MSEK) per B/S end Q4 2020/2021	15%	a, 1,831.7 MSEK b, 0 SEK
All as above	Qualitative target; (scale 1-5) Total ownership for entire company, strengthened cooperation Development in diversity & inclusion, contribution to positive trend in BPS. Deliver on agenda of function	25%	Lotta Lyrå a, 5 b, 510' SEK Pär Christiansen a, 5 b, 63' SEK Kristofer Tonström a, 5 b, 292
Total outcome STI			
Lotta Lyrå			1,122' SEK
Pär Christiansen			139' SEK
Kristofer Tonström			536' SEK

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)

	2016/2017 vs 2015/2016	2017/2018 vs 2016/2017	2018/2019 vs 2017/2018	2019/2020 vs 2018/2019	2020/2021 vs 2019/2020	2020/2021
CEO remuneration	-200 (-2%)	-893 (-9%)	-407 (-5%)	+1,100 (+13%)	-600 (-6%)	8,900**
Group operating profit	+103,500 (+20%)	-141,600 (-23%)	-374,300 (-80%)	+359,800 (+383%)	+84,000 (+19%)	537,800
Average remuneration on a full-time equivalent basis of employees* of the Parent Company	-4.05 (-0.9%)	-1.84 (-0.4%)	+48.03 (+10.6%)	+52.38 (+10.5%)	-24.97 (-4.5%)	528.4

*Excluding members of Group Management

** Remuneration of CEO comprises: Lotta Lyrå (5,800) was CEO until 4 December 2020. Pär Christiansen (1,100) served as Interim CEO between 5 December 2020 and 7 February 2021. Kristofer Tonström (2,000) took office as the new President and CEO on 8 February 2021.