

*N.B. The English text is an in-house translation*

## **The board of directors' proposal regarding a Long Term Incentive Program 2016 (LTIP 2016)**

### **Background and summary**

Salaries and other terms and conditions of employment in Scandi Standard AB (publ) ("Scandi Standard") and any of its subsidiaries (Scandi Standard and its subsidiaries are hereinafter jointly referred to as the "**Group**") shall be sufficient for the Group to recruit and retain skilled employees at reasonable costs to the Group. Remuneration shall be based on principles of performance, competitiveness and fairness. The board of directors of Scandi Standard has decided to propose to the annual general meeting the below Long Term Incentive Program 2016 ("**LTIP 2016**") for key employees, which is intended to contribute to long term value growth and provide a shared interest in value growth between shareholders and employees.

Performance share rights shall be allotted free of charge to the participants of LTIP 2016, who are key employees in the Group, in relation to a fixed percentage of their base salary. After a three-year vesting period commencing in connection with the implementation of LTIP 2016 and provided that certain conditions are fulfilled, the participants may exercise their performance share rights through which they will be allotted shares in Scandi Standard free of charge.

In order to ensure the delivery of shares under LTIP 2016 and for the purpose of hedging social security charges under LTIP 2016, the board of directors proposes that the board of directors be authorized to acquire a maximum of 269,598 shares in Scandi Standard on Nasdaq Stockholm. In addition, the board of directors proposes that the annual general meeting resolves to transfer a maximum of 209,076 own shares to the participants of LTIP 2016 in accordance with the terms of LTIP 2016.

The intention is that a program similar to LTIP 2016 shall be adopted annually, at the annual general meetings the coming years.

### **Proposal**

The board of directors proposes that the annual general meeting resolve on the implementation of LTIP 2016 principally based on the terms and conditions set out below.

#### **1. Participants and allotment under LTIP 2016**

LTIP 2016 comprises a maximum of 19 participants divided into five (5) categories.

- Category 1 consists of the CEO
- Category 2 consists of the CFO and the Group COO
- Category 3 consists of the country managers and the chief of live operations
- Category 4 consists of other key employees

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The participants shall free of charge be allotted performance share rights entitling to allotment of shares in Scandi Standard. The number of performance share rights allotted to a participant shall be calculated as a percentage of the relevant participant's base salary plus any social security charges attributable to such amount divided by 57.58, which was the average share price during the period 2 March 2016 to 18 March 2016. The percentage of the base salary forming the basis for allotment of performance share rights depends on which category the participant belongs to, in accordance with the following:

- Category 1: 100 percent of the base salary for 2016
- Category 2: 75 percent of the base salary for 2016
- Category 3: 50 percent of the base salary for 2016
- Category 4: 25 percent of the base salary for 2016

The above percentages will be adjusted so that participants who have been employed with the Group for less than a year will receive less than 100 percent of the numbers illustrated above.

Provided that the conditions set out in item 2 are fulfilled, the performance share rights shall entitle to allotment of shares in Scandi Standard in accordance with what is described below. Allotment of shares on the basis of performance share rights shall be made at the earliest three years after the implementation of LTIP 2016 (the "**Vesting Period**").

## **2. Performance share rights**

Following the Vesting Period, each performance share right shall entitle to allotment of up to one (1) share. The conditions for allotment of shares are described in the following.

### ***Vesting requirement***

In order for performance share rights to entitle to allotment of shares, it shall be required that the relevant participant remains employed and has not given or been given notice of termination of employment within the Group during the Vesting Period. If this condition is not fulfilled, no shares shall be allotted. However, in case a participant's employment has terminated prior to the end of the Vesting Period due to such participant's death or disability or if the employer has given notice of termination of the participant's employment without cause (including, for the avoidance of doubt, notice of termination due to redundancy/shortage of work (Sw. *arbetsbrist*)), 1/3 of the right to allotment of shares shall be vested at each anniversary of the implementation of LTIP 2016.

### ***Performance requirement***

In addition, allotment of shares shall be conditional upon satisfaction of a financial target set by the board of directors of Scandi Standard, being the compound annual growth rate of earnings per share ("**EPS CAGR**").

The EPS CAGR shall be calculated by the board of directors on the basis of the Group's quarterly financial statements, which are adjusted for non-comparables. EPS for the financial year 2015 shall be SEK 3.27, as agreed with the remuneration committee.

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In order for full allotment of shares to occur, the average EPS CAGR during the period 1 January 2016 – 31 December 2018 must be at least 12.5 percent. If the average EPS CAGR during the period 1 January 2016 – 31 December 2018 is 5 percent, the participants shall be allotted shares for 25 percent of their performance share rights. If the average EPS CAGR during the period 1 January 2016 – 31 December 2018 is more than 5 percent but less than 12.5 percent, the participants shall receive linear allotment. If the average EPS CAGR during the period 1 January 2016 – 31 December 2018 is less than 5 percent, no shares shall be allotted.

### **3. Terms and conditions for the performance share rights**

In addition to what has been stated above, the following terms and conditions shall apply for the performance share rights:

- The performance share rights are allotted free of charge.
- The participants are not entitled to transfer, pledge, or dispose the performance share rights or perform any shareholder's rights regarding the performance share rights during the Vesting Period.
- Execution of the performance share rights may take place at the earliest three years after LTIP 2016 was implemented.
- Scandi Standard will not compensate the participants for any dividends.

### **4. Detailed terms and administration**

The board of directors, or a certain committee appointed by the board of directors, shall be responsible for determining the detailed terms and the administration of LTIP 2016, within the scope of the terms and guidelines given by the general meeting. By way of example, the board of directors shall be authorized to decide that, despite the conditions under item 2 above being fulfilled, no allotment of shares shall be made to a participant in case of fraud, other criminal activity or gross misconduct by such participant.

In connection with any rights issues, splits, reverse splits and similar dispositions, the board of directors shall be authorized to recalculate EPS CAGR as well as the number of shares that the performance share rights shall entitle to.

In case a public offer for all shares in Scandi Standard is completed resulting in the offeror owning more than 90 percent of the shares in Scandi Standard, the board of directors shall be authorized to resolve upon the close-down of LTIP 2016, including but not limited to approving earlier execution of performance share rights, amending the vesting requirements and shorten the periods for application of the EPS CAGR thresholds for determination of to which extent the performance requirement is fulfilled.

If delivery of shares cannot be accomplished at reasonable costs, with reasonable administrative effort and without regulatory problems, the board of directors shall be authorized to decide that the participants may instead be offered a cash-based settlement.

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Further, the board of directors shall be authorized to decide on other adjustments in the event that major changes in the Group, the market or otherwise in the industry would occur, which would entail that resolved conditions for allotment and the possibility to use the performance share rights under LTIP 2016 would no longer be appropriate.

#### **5. Hedging of commitments according to LTIP 2016 – Acquisitions and transfers of own shares**

The board of directors proposes that the annual general meeting resolve to authorize the board of directors to acquire maximum 269,598 shares for the following purposes:

- (1) Securing delivery of shares at exercise of the performance share rights.
- (2) Securing and covering social security charges triggered by LTIP 2016.

Acquisitions shall be made on Nasdaq Stockholm on one or several occasions and until the next annual general meeting at a price within the band of prices applying on the exchange. The full proposal regarding authorization for the board of directors to acquire own shares is included in item 11 c. of the notice.

Further, the board of directors proposes that the annual general meeting resolves to transfer a maximum of 209,076 shares acquired in accordance with the foregoing. Transfers shall be made to the participants of LTIP 2016 in accordance with the terms of LTIP 2016. The full proposal regarding transfers of own shares is included in item 11 d. of the notice.

#### **6. The value of and the estimated costs for LTIP 2016**

Assuming 100 percent vesting, full fulfilment of the EPS requirement and a share price at the time of exercise of the performance share rights of SEK 57.58, LTIP 2016 will result in the allocation of 209,076 shares in Scandi Standard, representing a value of SEK, 14,237,604.

LTIP 2016 will cause costs for the Group in the form of social security charges. Social security charges shall be expensed and allocated to the periods during which the participants' services were performed. The social security charges are expected to amount to in average approximately 18 percent of the market value of the shares allocated upon exercise of the performance share rights.

The board of directors has proposed that the effect on cash flow that may arise as a result of social security charges payable when the performance share rights are exercised be hedged by way of acquisitions of own shares in the market.

In addition, the performance share rights will give rise to accounting costs in accordance with IFRS 2. These costs shall be determined on the allotment date and be allocated over the Vesting Period. In accordance with IFRS 2, the theoretical value of the performance share rights shall form the basis of the calculation of these costs. The theoretical value shall not be re-valued in subsequent reporting periods, although adjustments shall be made in conjunction with every financial report for the performance share rights that have not been vested. In this manner, the accumulated costs at the end of the Vesting Period will correspond to the number of performance share rights that fulfil the conditions.

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### **7. Dilution and effects on key ratios**

No new shares will be issued in Scandi Standard due to LTIP 2016. However, Scandi Standard will need to acquire 269,598 own shares, corresponding to approximately 0.4 percent of the outstanding shares and votes in Scandi Standard in order to secure delivery of shares under LTIP 2016 and to secure and cover social security charges.

The costs for LTIP 2016 are expected to have a marginal effect on the Group's key ratios.

### **8. The objectives of the proposal and reasons for deviations from the shareholders' preferential rights**

The board of directors considers the existence of effective share-related incentive programs for key employees of Scandi Standard to be of material importance for the development of Scandi Standard. The proposed program creates a common Group focus for the key employees in the different parts of the Group. By linking the key employees' remuneration to Scandi Standard's earnings, long term increase in value is rewarded and thus an alignment of interest of the key employees and shareholders is achieved.

In light of these circumstances, the board of directors considers that LTIP 2016, with regard to the terms and conditions, the size of the allotment and other circumstances, is reasonable and advantageous for Scandi Standard and its shareholders.

### **Preparation of proposal**

The proposal has been prepared by the remuneration committee in consultation with the board of directors and external advisors. The resolution to propose LTIP 2016 to the annual general meeting has been taken by the board of directors.

### **Outstanding incentive programs in Scandi Standard**

The AGM 2015 adopted a long-term incentive plan for 19 senior executives and key employees, which has essentially the same design as the now proposed LTIP 2016. A maximum of 390,184 shares may be awarded under LTIP 2015.

### **Majority vote requirement**

A resolution in accordance with the board of directors' proposal regarding the implementation of LTIP 2016 requires support from shareholders representing more than half of the votes cast at the meeting.

A resolution in accordance with the board of directors' proposal regarding authorization to the board of directors to acquire shares requires support from shareholders representing at least 2/3 of the votes cast as well as shares represented at the meeting.

A resolution in accordance with the board of directors' proposal regarding resolution to transfer shares to the participants of LTIP 2016 requires support from shareholders representing at least 9/10 of the votes cast as well as shares represented at the meeting.

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Stockholm in February, 2016  
*THE BOARD OF DIRECTORS*