

Scandi Standard's remuneration report for 2020

Introduction

This remuneration report contains information on how Scandi Standard AB's (publ) guidelines for remuneration to the senior management (the "**remuneration guidelines**"), adopted by the annual general meeting 2020, have been applied during the financial year 2020. The report also provides details on the remuneration of the group's CEO (the "**CEO**").

In addition, the report contains a summary of the company's outstanding long-term share-related incentive programs. The report has been prepared in compliance with Chapter 8, sections 53 a and 53 b of the Swedish Companies Act as well as the Swedish Corporate Governance Board's Rules on Remuneration of the Board and Executive Management and on Incentive Programmes dated 1 January 2021.

The remuneration guidelines, adopted by the annual general meeting 2020, are included on pages 54–55 of the company's annual report for 2020. Information on the general performance of the company during 2020 is available in the CEO statement on pages 6–7 of the annual report for 2020. Information on the work of the remuneration committee in 2020 is set out in the corporate governance report, which is available on pages 113–120 of the annual report for 2020. Information required pursuant to Chapter 5, sections 40–44 of the Swedish Annual Accounts Act is available in note 5 on pages 76–78 of the annual report for 2020.

Remuneration of the members 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 5 on pages 76–78 in the annual report for 2020.

Overview of compliance with the remuneration guidelines

A prerequisite for the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the company can recruit and retain qualified personnel. To this end, the company must offer competitive remuneration. The company's remuneration guidelines enable the company to offer senior managers a competitive total remuneration. Under the remuneration guidelines, remuneration to the senior management may consist of fixed salary, variable salary, pension and other benefits. The remuneration shall be based on principles of performance, competitiveness and fairness.

Pursuant to the remuneration guidelines, fixed salary shall be in line with market conditions and based on the senior manager's responsibility, expertise and performance. Variable salary shall be based on a set of financial and personal objectives determined in advance. Such objectives shall be designed to contribute to the company's business strategy and long-term interests, including its

sustainability, by for example being clearly linked to the business strategy or promote the senior manager's long-term development.

The remuneration guidelines adopted at the annual general meeting 2020 have been fully implemented and complied with. 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 www.scandistandard.com.

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-related incentive programs, which are described in the section "*Long-term share-related incentive programs*" in this report.

Remuneration of the CEO

Remuneration of the CEO during 2020

During the financial year 2020, the CEO received fixed salary, variable salary, pension and other benefits covered by the remuneration guidelines as presented in the table below.

Name	Fixed remuneration		Variable remuneration		Extraordinary items	Pension expenses ³	Total remuneration	Proportion of fixed and variable remuneration
	Base salary	Other benefits ¹	One-year variable	Multi-year variable ²				
Leif Bergvall Hansen (CEO)	5,435,124	132,708	3,521,960	4,146,616	0	815,268	14,051,676	Variable: 55% Fixed: 45%
1) Company car 2) Consisting of 68,426 shares allotted under LTIP 2017 (valued at SEK 60.6 per share, which was the market price at the time of the allotment). 3) Defined contribution								

In addition to the above remuneration, the CEO has during 2020 participated in the company's currently outstanding long-term share-related incentive programs, see the section "*Long-term share-related incentive programs*" below.

The remuneration of the CEO was paid by the parent company of the group, Scandi Standard AB (publ). No other group company paid any remuneration to the CEO during 2020.

No remuneration of the CEO was reclaimed during 2020.

Application of performance criteria for the variable cash remuneration

Pursuant to the remuneration guidelines, the variable salary shall be based on a set of financial and personal objectives determined in advance. The variable salary may not amount to more than 75 per cent of the fixed salary. To which extent the objectives for awarding variable salary has been satisfied shall be determined when the relevant measurement period of the performance criteria has ended. The

remuneration committee of the board of directors is responsible for the evaluation of the variable salary to the CEO.

The performance measures for the CEO's variable remuneration during 2020 were 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 were taken into account. The non-financial performance measures contributed to alignment with sustainability as well as the company values.

The financial performance measures applied for the variable cash remuneration of the CEO are presented in the table below.

Description of the criteria related to the remuneration component	Relative weighting of the performance criteria	a) Measured performance and b) Actual remuneration
Group EBIT	50%	a) 62.14% b) 1,127,663
Group Margin	20%	a) 73.13% b) 530,533
Group Working Capital	20%	a) 100% b) 725,268
Individual targets ¹	10%	a) 100% b) 362,634
1) The individual target is related to development of the operating model.		

Long-term share-related incentive programs

Outstanding share-related incentive programs

Remuneration resolved upon by the general meeting is not covered by the remuneration guidelines. The annual general meeting 2018 adopted a long-term share-related incentive plan for 26 senior executives and key employees, the annual general meeting 2019 adopted a long-term share-related incentive plan for 29 senior executives and key employees and the annual general meeting 2020 adopted a long-term share-related incentive program for 33 senior executives and key employees (“**LTIP 2018**”, “**LTIP 2019**” and “**LTIP 2020**”). These incentive programs are designed to promote the long-term value growth and sustainability of the company and to increase alignment between the interests of the participating employees and the company's shareholders. Under the incentive programs, the participating employees may be allotted shares in the company free of charge, subject to a three-year vesting period and provided that certain performance criteria (including the compound annual growth rate of earnings per share, “**EPS CAGR**”) are fulfilled. A maximum of 289,975 shares may be awarded under LTIP 2018, a maximum of 334,596 shares may be awarded under LTIP 2019 and a maximum of 460,361 shares may be awarded under LTIP 2020. In order to further increase alignment between the long-term interests of the participants and the company's shareholders, a requirement for participation is that the participant undertakes to

retain all allotted shares (except for such shares that are sold to cover for tax due to the allotment of shares) for a period of two years from the date of the allotment of the shares. More information on the company's share-related long-term incentive programs, including the performance criteria which the outcome depends on, is available on company's website, www.scandistandard.com.

Long-term share-related incentive programs that vested during 2020

In May 2020, the company allotted and delivered a total of 220,415 existing shares in the company free of charge to participants in the long-term share-related incentive program that was adopted by the annual general meeting 2017 (LTIP 2017). LTIP 2017 had essentially the same design as LTIP 2018, LTIP 2019 and LTIP 2020. The EPS CAGR during the performance period (2016–2019) was 19,2 per cent, meaning the participants were allotted shares for all of their performance share rights. Participants holding a total of 30,971 performance share rights did not meet all vesting requirements under LTIP 2017 and were not allotted any shares in the company.

Remuneration of the CEO under share related incentive programs

Name	Main conditions				Financial year 2020			
					Opening balance	During the year		Closing balance
	LTIP	Performance period	Award date	Vesting date	Share rights held at beginning of year	Awarded	Vested (i.e. shares received)	Subject to performance requirement
Leif Bergvall Hansen (CEO)	2017 ¹⁾	2017–2020	April 2017	May 2020	68,426	0	68,426	0
	2018 ²⁾	2018–2021	May 2018	May 2021	76,761	0	0	76,761
	2019 ³⁾	2019–2022	May 2019	May 2022	75,466	0	0	75,466
	2020 ⁴⁾	2020–2023	May 2020	May 2023	0	101,025	0	101,025

1) Value at award: SEK 3.9 million, calculated as the market price per share at award (SEK 56.5) multiplied by the number of share rights awarded. Value at vesting: SEK 4.1 million, calculated as the market price per share at vesting (SEK 60.6) multiplied by the number of shares allotted (68,426).

2) Value at award: SEK 4.6 million, calculated as the market price per share at award (SEK 59.99) multiplied by the number of share rights awarded.

3) Value at award: SEK 4.6 million, calculated as the market price per share at award (SEK 61.00) multiplied by the number of share rights awarded.

4) Value at award: SEK 5.4 million, calculated as the market price per share at award (SEK 53.8) multiplied by the number of share rights awarded.

Change of the remuneration of the CEO compared to the company's performance and remuneration of other employees of the group

In order to put the remuneration of the CEO into further context, the following table presents the annual change in remuneration of the CEO, for the company's results and for the average remuneration within the Scandi Standard group for other full-time equivalent employees during the previous financial year.

	2020
Leif Bergvall Hansen (CEO)	+16%
Other full-time equivalent employees of the group (excl. the CEO)	+6%
Operating income	-17%
Adjusted operating income	+10%

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Stockholm in April 2021
 Scandi Standard AB (publ)
The board of directors