

Remuneration report 2020

Introduction

This report describes how the guidelines for executive remuneration of Lifco AB, adopted by the annual general meeting 2020, were implemented in 2020. The report also provides information on remuneration to the CEO. The report has been prepared in accordance with the Swedish Companies Act and *Rules on Remuneration of the Board and Executive Management and on Incentive Programmes* issued by the Swedish Corporate Governance Board.

Further information on executive remuneration is available in note 10 (Personnel costs and average number of employees) on pages 62–64 in the annual report 2020. Information on the work of the remuneration committee in 2020 is set out in the corporate governance report available on page 34 in the annual report 2020.

Remuneration 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 10 on page 63 in the annual report 2020.

Key developments 2020

The CEO summarizes the company's overall performance in his statement on pages 6–7 in the annual report 2020.

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

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 executives a competitive total remuneration. Under the remuneration guidelines, executive remuneration shall be on market terms and may consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. The variable cash remuneration shall be linked to financial or non-financial criteria. They may be individualized, quantitative or qualitative objectives. The criteria 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 executive's long-term development.

The guidelines are found on pages 35–36 in the annual report 2020. During 2020, the company has 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 www.lifco.se/investors/corporate-governance/annual-general-meeting. No remuneration has been reclaimed.

Table 1 – Total CEO remuneration in 2020 (kSEK)

	1		2		3	4	5	6
	Fixed remuneration		Variable remuneration					
Name of director (position)	Base salary	Other benefits ¹	One-year variable	Multi-year variable	Extraordinary items	Pension expense	Total remuneration	Proportion of fixed and variable remuneration ²
Per Waldemarson (CEO)	21,204	64	13,892	-	0	12,633	47,793	71/29

¹ Company car.

² Pension expense (column 4), which in its entirety relates to Base salary and is premium defined, has been counted entirely as fixed remuneration.

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 have been taken into account.

Table 2 - Performance of the CEO in the reported financial year: variable cash remuneration

Name of director (position)	1 Description of the criteria related to the remuneration component	2 Relative weighting of the performance criteria	3 a) Measured performance and b) actual award/remuneration outcome
Per Waldemarson (CEO)	Profit before tax	100%	a) 2,199 MSEK b) 13,892 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)¹

	2016 vs 2015	2017 vs 2016	2018 vs 2017	2019 ² vs 2018	2020 vs 2019 ²	RFY 2020
CEO remuneration	+4,077 (+8.9%)	+3,586 (+7.2%)	+4,730 (+8.8%)	-10,127 (-17.4%)	-388 (-0.8%)	47,793
Group operating profit	+144,882 (+13.1%)	+267,611 (+21.4%)	+382,858 (+25.2%)	+156,556 (+8.2%)	+202,219 (+9.8%)	2,260,995
Average remuneration on a full-time equivalent basis of employees ³ of the parent company	+12 (+3%)	+35 (+8%)	+42 (+9%)	+737 (+139%)	+76 (+6%)	1,343

¹ Remuneration = fixed remuneration, variable remuneration and pension expense.

² CEO remuneration 2019 refers to remuneration to Per Waldemarson, CEO from 8 February 2019, as well as remuneration to Fredrik Karlsson, CEO until February 7 2019 and Director until 27 February 2019.

³ Excluding members of the group executive management.