

Remuneration report 2020

Introduction

This report describes how the guidelines for executive remuneration of Bufab AB (publ), adopted by the annual general meeting 2020, were implemented in 2020. The report also provides information on remuneration to the CEO and a summary of the company's outstanding share-related and share price-related incentive plans. 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 (Employees, personnel expenses and fees paid to directors and auditors) on pages 34-36 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 59 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 6 on page 49 in the annual report 2020.

Key developments 2020

The CEO summarizes the company's overall performance in his statement on page 4-5 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, other benefits and in special cases additional variable cash remuneration. The variable cash remuneration shall be linked to predetermined and measurable criteria which can be financial or non-financial. The criteria shall primarily relate to the company's results and may be individual. Furthermore, the criteria shall relate to the overall progress of the Bufab group, although criteria related to specific business areas may occur. The criteria shall be designed to contribute to the company's business strategy and long-term interests.

The guidelines in summary are found on page 17 in the annual report 2020. The complete guidelines are available at <https://www.bufab.com/investors/corporate-governance/general-meetings/annual-general-meeting-2020>. The remuneration guidelines, adopted by the annual general meeting 2020, have been fully implemented. 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://www.bufab.com/investors/corporate-governance/general-meetings/arsstamma-2021>. 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 plans.

Table 1 – Total CEO remuneration in 2020 (mSEK)*

Name of director (position)	1 Fixed remuneration		2 Variable remuneration		4 Pension expense	5 Total remuneration	6 Proportion of fixed and variable remuneration*****
	Base salary**	Other benefits***	One-year variable ****	Extraordinary items			
Jörgen Rosengren (CEO)	4.0	0.1	-	0.4	1.1	5.6	100% / 0%

* The table reports remuneration earned in 2020. Multi-year variable remuneration is not paid.

** Paid and expensed base salary including holiday pay.

*** Health insurance, car benefit.

**** Variable remuneration paid in 2020 for 2019 amounts to SEK 0 million. Expensed variable remuneration in 2020, which will be settled in 2021, amounts to SEK 1.8 million.

***** Pension expense (column 4), which in its entirety relates to Base salary and is premium defined, has been reported 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.

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
	Jörgen Rosengren (CEO)	Growth in Bufab Group's earnings per share in 2019 relative to 2018	70 %
Bufab Group's organic growth in 2019 relative to 2018		20 %	a) 0% b) 0 mSEK
Bufab Group's NWC/L12 NS, average for Q1-Q4 2019		10 %	a) 0 % b) 0 mSEK

Long term share-based incentive programs

The company has implemented four share option programs (2017/2020, 2018/2021, 2019/2023 and 2020/2023) for the executive management and other key employees within the group. Participants in the programs have been given the opportunity to invest in call options at a price corresponding to the market value, which has been determined through a Black & Scholes valuation. Each call option entitles to the acquisition of one share in the company for a period of approximately six months, which for each program begins three years after the implementation of the program. The purchase price for shares corresponds to 115 per cent of the volume-weighted average price for the company's share on Nasdaq Stockholm during five trading days in connection with the implementation of each program. The redemption period in the call option program 2017/2020 was during May-November 2020, which means that the program has ended. Further information about the call option programs can be found in Note 34 in the annual report for 2020.

During the autumn 2020, the call option program 2017/2020 ended and in connection thereto, the CEO acquired 5,450 shares in the company at an acquisition price of SEK 120.40. As of December 31, 2020, the CEO holds a total of 108,000 call options in the company, distributed over the following programs;

Incentive program	Allocation date	Exercise period	The call option's acquisition price	Redemption price, share	Holding of call options, December 31, 2020
Incentive program 2020-2023	May 11, 2020	May 15, 2023– November 15, 2023	12.12	90.20	39,000
Incentive program 2019-2023	August 15, 2019	August 15, 2022– February 15, 2023	9.04	109.96	39,000
Incentive program 2018-2021	May 17, 2019	May 17, 2021– November 15, 2021	13.34	133.90	30,000
Total					108,000

Comparative information on the change of remuneration and company performance

Remuneration and company performance during the last reported financial year (RFY) (mSEK)

	RFY 2020
CEO remuneration	5.6
Group operating profit	482
Average remuneration on a full time equivalent basis of employees* of the group's Swedish companies	0.5

* Excluding members of the group executive management.