

Remuneration report 2020

Introduction

This report describes how the guidelines for executive remuneration of ITAB Shop Concept AB, adopted by the annual general meeting 2020, were implemented in 2020. The report also provides information on remuneration to the CEO and the Deputy 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 8 (Employees and personnel costs) on pages 70-72 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 pages 91-94 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 8 on page 71 in the annual report 2020.

Key developments 2020

The CEO summarizes the company's overall performance in his statement on page 8 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 71-72 in the annual report 2020.

Deviations from the company's remuneration guidelines

Pursuant to the guidelines, the Board of Directors may temporarily resolve to deviate from the guidelines, in whole or in part, if in a specific case there is special cause for the deviation and a deviation is necessary to serve the company's long-term interests, including its sustainability, or to ensure the company's financial viability. In light of this, the Board of Directors has resolved on three deviations during 2020. The first deviation consists of the Board of Directors' decision to enter into a consultancy agreement with the board member Jan Frykhammar, whereby Jan Frykhammar received remuneration of in total SEK 680,000, in excess of his board fee, for his extensive work in connection with ITAB's recapitalization, in which he was deeply involved and his support was instrumental to secure ITAB's long term financial viability. Moreover, Jan Frykhammar has also supported the company while the CFO position was vacant. The second deviation consists of the Board of Directors' decision to enter into an employment agreement with the member of the management team Glauco Frascaroli which runs on a time limited basis, meaning a deviation from the guidelines which states that members of the management team shall be employed with indefinite duration, which essentially was a result of the categorization of his employment pursuant to local legislation. The third deviation consists of that the Board of Directors, to retain essential competence and industry-wide knowledge, and utilize valuable experience and understanding of the company, entered into an amended employment agreement with the member of the management team Mikael Gustafsson, whereby he is entitled to severance payment corresponding to 12 months of the fixed cash remuneration

at termination of his employment, both by himself and by the company, as well as that he is entitled to a premium defined pension where the premium amounts to approximately 31 percent of his fixed annual remuneration. The agreement with Mikael Gustafsson deviates from the remuneration guidelines which state that members of the management team only shall be entitled to severance payment upon termination by the company and that the pension premiums for premium defined pension shall amount to not more than 30 percent of the fixed annual cash remuneration. 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://itabgroup.com/sv/bolagsstyrning/>.

No remuneration has been reclaimed. In addition to remuneration covered by the remuneration guidelines, the company's annual general meeting held on 11 May 2016 resolved to implement a long-term share-related incentive plan in the form of a convertible program which ended during 2020.

Total CEO and Deputy CEO remuneration in 2020 (kSEK)*

Name of director (position)	1 Fixed remuneration		2 Variable remuneration		3 Extraordinary items	4 Pension expense***	5 Total remuneration	6 Proportion of fixed and variable remuneration****
	Base salary*	Other benefits**	One-year variable	Multi-year variable				
Andreas Elgaard (CEO)	4,636	184	1,725	N/A	N/A	1,356	7,901	78/22
Mikael Gustafsson (Deputy CEO)*****	3,090	156	968	N/A	N/A	968	5,182	81/19

* Including holiday pay of kSEK 342

** Taxable benefits for company car and medical insurance

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

**** Until the end of the company's long-term incentive program in June 2020, Mikael Gustafsson held 60,042 convertibles in the company. As Mikael did not exercise his convertibles to subscribe for class B shares in the company during the converting period the nominal amount of SEK 5,163,612 was repaid by the company.

Share-based remuneration

Outstanding share-related and share price-related incentive plans

On 11 May 2016, the company's annual general meeting resolved to implement a long-term incentive program to the employees through issue of convertibles with a duration of approximately four years. The program was fully subscribed and 1,950,000 convertibles, corresponding a nominal amount of SEK 167,700,000, was allocated at an issue price of SEK 86. The deputy CEO was allocated 60,042 convertibles, corresponding to a nominal amount of SEK 5,163,612.

The convertible interest rate amounted to STIBOR 3M with the addition of 2.20 percentage points and was paid annually in arrears. Each convertible could be converted into a class B share in the company during the period 1 June 2020 to 12 June 2020 at a conversion price of SEK 86, meaning a dilution of approximately 1.9 percent of the share capital and approximately 0.6 percent of the voting rights, based on the number of shares and votes as at the date when the program was implemented. During the conversion period, no convertibles was exercised to subscribe for class B shares and the nominal amount of SEK 167,700,000 was repaid.

Application of performance criteria

The performance measures for the CEO's and Deputy 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. The non-financial performance measures further contribute to alignment with sustainability as well as the company values.

Performance of the CEO and Deputy 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	
Andréas Elgaard (CEO)	Adjusted EBT 2020	70 %	a) 67%	b) 1,050 kSEK
	Savings measured in EBITDA 2020	30 %	a) 100%	b) 675 kSEK
Mikael Gustafsson (Deputy CEO)	Adjusted EBT 2020	100%	a) 67%	b) 968 kSEK

Comparative information on the change of remuneration and company performance

Remuneration and company performance during the financial year 2020 (kSEK)

	RFY 2020
CEO remuneration	7,901
Deputy CEO remuneration	5,182
Group operating profit	112,424
Average remuneration on a full time equivalent basis of employees* of the parent company	1 185

* Excluding members of the group executive management