

# Remuneration report 2020

## Introduction

This remuneration report provides an outline of how Eltel AB's ("Eltel" or the "Company") guidelines for executive remuneration (the "remuneration guidelines"), adopted by the Annual General Meeting 2020, have been implemented in 2020. The report also provides details on the remuneration of Eltel's CEO. In addition, the report contains a summary of Eltel's outstanding share and share-price related incentive programmes. The report has been prepared in compliance with Chapter 8, Sections 53 a and 53 b of the Swedish Companies Act (2005:551) and the Remuneration Rules (1 January 2021) issued by the Swedish Corporate Governance Board.

Further information on executive remuneration, required by Chapter 5, Sections 40-44 of the Swedish Annual Accounts Act (1995:1554), is available in note 29 on pages 78 - 80 in the company's annual report for 2020 (the "annual report 2020").

Information on the work of the Remuneration Committee in 2020 is set out in the corporate governance report, which is available on pages 37 - 43 in the annual report 2020.

The report does not include remuneration to the Board of Directors that is decided annually by the Annual General Meeting. Such remuneration is reported in note 29 on pages 78 - 80 in the annual report 2020.

## Key Developments 2020

The CEO summarises the company's overall performance in his statement on page 4 in the annual report 2020.

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

A prerequisite of the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the company is able to recruit and retain a highly competent management with capacity of achieving specified goals. To this end, it is necessary that the company can offer competitive remuneration to motivate senior executives to do their utmost. The company's remuneration guidelines enable the company to offer the executive management and the CEO a competitive total remuneration.

Eltel's remuneration guidelines, adopted by the Annual General Meeting 2020, are summarized on pages 34 - 36 in the annual report 2020. The overall objective of the guidelines is to offer senior management a competitive and market-based level of remuneration consisting of fixed and variable remuneration, pension and other remuneration components. Under the guidelines, remuneration shall be determined in relation to area of responsibility, duties, expertise and performance. In addition, the General Meeting may – regardless of the guidelines – resolve on share-related or share price-related remuneration.

The Board of Directors may temporarily deviate from the guidelines, in whole or in part, if special reasons justify doing so in an individual case and such deviation is necessary in order to meet the company's long-term interests and sustainability or to ensure the company's financial viability. However, during 2020 the company has complied with the remuneration guidelines and no deviations from the guidelines or derogations from the procedure for implementation

of the guidelines have been made. Furthermore, no remuneration has been reclaimed during the year. The auditor's report regarding the company's compliance with the guidelines is available on the company's website at <https://www.eltelgroup.com/en/annual-general-meeting-2021/>.

In addition to remuneration covered by the remuneration guidelines, the Annual General Meetings of the company have resolved on remuneration to the Board of Directors and long-term share-related incentive plans.

### Table 1 – Total remuneration of the CEO (kEUR)

Table 1 below sets out total remuneration to Eltel's CEO during 2020.

Name of Director, position (start/end)	Financial year	1 Fixed remuneration		2 Variable remuneration <sup>1</sup>		4 Extraordinary items	5 Pension expense	6 Total remuneration	7 Proportion of fixed and variable remuneration <sup>2</sup>
		Base salary	Other benefits	One-year variable	Share-related remuneration				
Casimir Lindholm, CEO	2020	625	-	424	39	-	219	1,309	57/43

Base salary includes vacation pay. Other benefits include car benefit and other benefits such as wellness allowance, other health-related benefits, lunch, health and medical care insurance et cetera.

### Variable cash remuneration

Under the remuneration guidelines, variable cash remuneration shall be based on criteria that aim at promoting the company's business strategy and long-term interests, including its sustainability. The variable cash remuneration component is based on predetermined and measurable financial and individual targets. The criteria are recommended by the Remuneration Committee and ultimately determined by the Board of Directors.

The available key performance criteria are primarily financial, i.e. EBITA, Net Working Capital (NWC) or Net debt and Safety measured as the Long-Term Injury Frequency rate (LTIF). The short-term variable cash remuneration can amount to a maximum of 80 percent of the fixed base salary for the CEO. At full outcome, the short-term variable cash remuneration can amount to a maximum of 45 percent of total remuneration for the CEO. The outcome for the CEO of the short-term variable cash remuneration for the financial year 2020 amounted to 84 percent of the possible maximum (i.e. 84 percent of 80 percent of the fixed base salary for the CEO).

Due to their criticality for implementing Eltel's operational strategy program, certain senior managers and key employees (including the CEO) were offered a retention component in 2020 that is linked to the existing short-term variable cash remuneration. The retention bonus scheme contains a guaranteed amount, subject to conditions set out below, of 50% of the maximum short-term variable cash remuneration potential for the relevant employee for the years

<sup>1</sup> Refers to earned and actually paid out variable remuneration attributable to the financial year and performance in 2020.

<sup>2</sup> Base salary has been fully reported as fixed remuneration. Since a part of the variable remuneration is pensionable, pension expenses are not included in the calculation.

2020 and 2021. The guarantee amount is calculated as the difference between 50% of the maximal short-term remuneration potential for 2020 and 2021 and the accumulated actual bonus pay-outs for 2020 and 2021. Hence, if and to the extent the accumulated actual short-term variable cash remuneration pay-outs for 2020 and 2021 are equal to (or exceeds) the sum of 50 % of the maximal short-term remuneration potential for 2020 and 2021, no amount will be paid out under this retention bonus scheme. The retention bonus scheme requires that the employee has not given notice and still is employed on 31 December 2021.

## Share based remuneration

### Outstanding share and share-price related incentive programmes

Eltel's senior executives can be offered share-related or share price-related remuneration, including long-term incentive programmes ("LTIPs"). Long-term incentive programmes are intended to improve the participants' commitment to the company's development and they shall be implemented on market-based terms. Resolutions on incentive programmes related to shares and share prices must be passed at the General Meeting and are therefore not covered by the remuneration guidelines.

The aim of the programmes is to increase and strengthen the potential for recruiting, retaining and rewarding key individuals and furthermore to use the LTIP programmes to create individual long-term ownership of Eltel shares among participants. During 2020, Eltel had two outstanding long-term incentive programmes for key personnel in the Eltel Group; Eltel's share-based incentive programme 2016 ("**LTIP 2016**") and Eltel's share-based incentive programme 2018 ("**LTIP 2018**").

Participation in the LTIP programmes assume that the participant acquires and locks Eltel ordinary shares into the LTIP programme ("**Savings Shares**"). For each acquired Savings Share, the participant is entitled, after a certain qualification period and provided continued employment throughout the entire period, to receive allotment of one Eltel matching/retention share ("**Matching Share**"). Depending on fulfilment of performance targets linked to Eltel's earnings per share, the participant may also be entitled to receive allotment of additional Eltel shares ("**Performance Shares**"). Participants do not pay any consideration for the allotted Matching Shares and Performance Shares. Matching Shares and Performance Shares are Eltel ordinary shares.

#### *Long-term incentive programme 2016*

LTIP 2016 related to matching shares vested at the end of the second quarter 2019. The current CEO did not participate in LTIP 2016, as he was not employed at the commencement of the program. In accordance with the rules of the programme, Eltel awarded 84,262 matching shares to employees covered by the programme. The LTIP 2016 in relation to performance shares continued for one additional year and any allocation of performance shares was subject to Eltel reaching performance targets based on Eltel's EBITDA for the financial year 2019, instead of Eltel's earnings per share for the financial year 2018. Allocation of the performance shares was due after publication of the first quarterly report of 2020.<sup>3</sup> The performance of the Group in 2019 did not meet the required EBITDA results for allocation of any performance shares.

---

<sup>3</sup> To learn more about how the Annual General Meeting of 2018 resolved to change the performance targets of the existing LTIP 2016, please visit <https://www.eltelgroup.com/en/notice-to-the-annual-general-meeting-2018-in-eltel-ab/>

### Long-term incentive programme 2018

LTIP 2018 runs for a period of three years and the maximum number of participants is eight consisting of the CEO, CFO and a maximum of six individuals within the Group Management Team (“GMT”). The Extraordinary General Meeting of September 2018 approved a proposal to hedge obligations related to LTIP 2018 via equity swap agreement with a third party.

LTIP 2018 is directed towards three categories of participants:

Category	Savings Shares maximum (% of base salary)	Matching Shares per Savings Share	Performance Shares per Savings Share
A (CEO)	25%	1.0x	4.0x
B (CFO)	20%	1.0x	3.0x
C (GMT <sup>4</sup> )	15%	1.0x	3.0x

On the balance sheet date, the LTIP 2018 comprises maximum 94,728 matching shares (114,128 in 2019), corresponding to approximately 0.1% of the total outstanding shares and votes in the Company. The change in the number of maximum matching shares is due to a change in the number of participants in programme. Allotment of Matching Shares and Performance Shares within LTIP 2018 will be made after the presentation of the first quarterly statement 2022. The performance target is Eltel’s EBITDA for the financial year 2021. Partial fulfilment of the performance targets will result in partial allotment of Performance Shares. Performance under a certain level will result in no allotment.

**Table 2 – Remuneration of the CEO in shares**

	Specification of plan	Number of shares invested	Number of shares available within the program		Value of shares (kEUR) <sup>5</sup>		Number of shares unvested 2020		Number of shares vested 2020		Value of shares vested (kEUR) 2020	
			Matching shares	Performance shares	Matching shares	Performance shares	Matching shares	Performance shares	Matching shares	Performance shares	Matching shares	Performance shares
Casimir Lindholm, CEO	LTIP 2018	65,464	65,464	261,856	155.5	621.9	65,464	261,856	0	0	0	0
	<b>TOTAL</b>	<b>65,464</b>	<b>327,320</b>		<b>777.4</b>		<b>327,320</b>		<b>0</b>		<b>0</b>	

<sup>4</sup> For LTIP 2018 maximum 6 persons.

<sup>5</sup> The value of the Eltel share rights is based on the value of the Eltel shares at the commencement of the program (2.3749 EUR).

**Table 3 – Change of remuneration and company performance over the last five reported financial years (kEUR)**

Annual change	2016 vs 2015	2017 vs 2016	2018 vs 2017	2019 vs 2018	2020 vs 2019	RFY 2020
Directors' remuneration <sup>6</sup>						
CEO	-101 (-8.4%) <sup>7</sup>	+244 (22.3%)	+265 (19.8%) <sup>8</sup>	-577 (-36.0%)	+281 (27.3%)	<b>1,309</b>
Company's performance						
Operative EBITA, mEUR	-60.1 (-96.7%)	-27.5 (-1335.5%)	+23.2 (91.2%)	-9.0 (-402.9%)	+22.7 (201.3%)	<b>11.4</b>
Average remuneration on a full-time equivalent basis of employees <sup>9</sup>						
Eltel group employees in Sweden <sup>10</sup>	+1.3 (2.7%)	-0.3 (-0.6%)	+0.2 (0.4%)	+0.9 (1.7%)	+2.6 (5.1%)	<b>52.8</b>

<sup>6</sup> The change in total remuneration refers to the annual change in the sum of all remuneration components as they are reported in Table 1.

<sup>7</sup> Former CEO left the position on September 18, 2016. Håkan Kirstein took up the position as CEO on September 19, 2016.

<sup>8</sup> Håkan Kirstein left the position on August 31, 2018. Casimir Lindholm took up the position as CEO on September 1, 2018.

<sup>9</sup> The change in average total remuneration refers to the annual change in the sum of all remuneration components as they are reported in Table 1.

<sup>10</sup> Total remuneration for all other employees in Eltel AB and Infranet AB, located in Sweden, except for the CEO and for employees in Eltel TE AB (since the latter company is fully dedicated to operations outside Sweden), divided by the number of full-time equivalents each year. The selection for other employees has been broadened, due to the fact that the majority of the employees in the parent company (Eltel AB) are senior executives. Remuneration to employees in Sweden is paid out in local currency (SEK). The 2020 year-end SEK/EUR rate has been used as constant exchange rate; 1 EUR equals 10.0343 SEK.