



REMUNERATION REPORT MEKONOMEN 2020

Introduction

This report describes how the guidelines for executive remuneration of Mekonomen AB, 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 Mekonomen's outstanding share-related incentive plans (LTIP 2019 and LTIP 2020). 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 5 (employees and personnel costs) on page 65 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 39–48 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, see Minutes from AGM May 7, 2020 and a summary in the annual report 2020. No remuneration in addition to ordinary Board remuneration has been paid to Board members.

Key developments 2020

The CEO summarizes the company’s overall performance in his statement on page 2–5 in the annual report 2020.

Mekonomen’s remuneration guidelines: scope, purpose and deviations

Mekonomen’s overall strategy is to grow with good profitability. Mekonomen’s vision: to be an enabler for mobility – today, tomorrow and in the future. The strategy is based on the four focus areas; Operational excellence; Concept development, Create customer solutions and New revenue streams.

Sustainability is an important part of Mekonomen’s strategy and with the goal to be in the forefront in our industry by meeting new technology, new competition, new behaviors and new expectations on us. To be relevant in the future Mekonomen Group is focusing on People, Planet and Profit.

For more information regarding Mekonomen Group’s strategy, please see www.mekonomen.com.

A prerequisite for the successful implementation of the Mekonomen’s strategy and safeguarding of its long-term interests,

is that Mekonomen can recruit and retain qualified employees with the right skills. The remuneration must therefore be in line with market terms and be competitive. The objective of the guidelines is to enable such remuneration, but also to link the total remuneration to Mekonomen’s strategy and long-term interests. This is done by the target setting in short-term variable programs, as well as in any long-term share-based program.

A summary of the guidelines are found in the annual report 2020 and the full guidelines is included in the Minutes from AGM May 7, 2020. The remuneration guidelines, adopted unanimously by the annual general meeting May 7, 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 www.mekonomen.com/corporategovernance. No remuneration has been reclaimed. In addition to remuneration covered by the remuneration guidelines, the annual general meetings 2019 and 2020 of the company have resolved to implement two long-term share-related incentive plans (LTIP 2019 and LTIP 2020).

Table 1. Total remuneration to CEO during 2020 and 2019 (KSEK)

Name of Director, position	Financial year	Fixed remuneration		Variable remuneration			Extra-ordinary items	Pension expense***	Total remuneration	Proportion of fixed and variable remuneration
		Base salary incl 0,8% holiday payments	Other benefits*	One-year variable/ STI 2020**	Multi-year variable (LTIP2019, LTIP2020)					
CEO Pehr Oscarson	2020	5,420	77	3,126	0	12	1,613	9,627	74%	
	2019	5,220	77	0	0	12	1,566	6,875	0%	

* Relates to Car Benefit
 ** Booked STI 2020 is 2 505
 *** 30% of Base salary



Share-based Long-term remuneration

Outstanding share-related and share price-related incentive plans

The company has further implemented two share award plans (LTIP 2019 and LTIP 2020) for the CEO, Company Group Management and a number of Key Employees, decided by the AGM 2019 and AGM 2020. Subject to the Employee having made an own investment in shares in Mekonomen AB (savings shares), the Employee can be awarded the one matching share and four performances shares per saving shares (in total 5 shares).

In plan 2019/2021 (LTIP 2019), the CEO has invested in 2,250 savings shares and in plan 2020/2022 (LTIP 2020) 5,000 savings shares. The programs are still in vesting period.

Matching shares and performance shares can be awarded free of charge and are subject to the employees still owning the saving shares, three-year vesting periods and continued employment.

LTIP 2019

Matching shares (Serie A) are subject to total shareholder return (TSR) on Mekonomen's share exceeding 0% during the period 1 April 2019–31 March 2022 and that the Mekonomen Group's equity/assets ratio exceeds 40 per cent (excluding IFRS16) at the end of the financial year 2021.

Vesting of performance shares (Serie B) requires that the level in Series A is achieved and the satisfaction of performance conditions. Allocation requires certain target levels are achieved relating to growth in earnings per share (EPS) in the Company during the financial years 2020–2021 compared to earnings per share for the financial year 2019 (BU SEK 11,59). The maximum level which gives

entitlement to full allocation is that the average annual growth in earnings per share amounts to at least 11 per cent during the financial years 2020–2021, corresponding to earnings per share of SEK 14.28 at the end of the financial year 2021. The minimum level for allocation is that the average annual growth in earnings per share amounts to 3 per cent during the financial years 2020–2021, corresponding to earnings per share of SEK 12.30 at the end of the financial year 2021. If the degree of achievement is between the minimum and the maximum levels, the outcome will be measured on a linear basis. The Board will adjust the outcome for items affecting comparability and for any effects relating to repurchase of shares in the Company.

LTIP 2020

Matching shares (Serie A) are subject to total shareholder return (TSR) on Mekonomen's share exceeding 0% during the period 1 April 2020–31 March 2023.

Vesting of performance shares (Serie B) is a subject to the satisfaction of performance conditions and also requires that the level in Series A is achieved. In addition, allocation requires that certain target levels are achieved relating to decrease of Net Debt/EBITDA (excluding IFRS16) and growth in adjusted EBIT (reported EBIT adjusted for one-off items and goodwill amortization in Mekonomen AB) for the financial years 2020–2022. The Board has determined a minimum level and a maximum level for each performance target. If the degree of achievement is between the minimum and the maximum levels, the outcome will be measured on a linear basis. Mekonomen intends to present the target levels and to what extent these have been achieved after the end of the program.

Table 2. Remuneration of the CEO in shares

Name of Director	The main conditions of share award plans					Information regarding the reported financial year					
						Opening balance	During the year		Closing balance		
	Specification of plan	Performance period	Award date	Vesting Date	End of retention period	Shares held at the beginning of the year	Shares awarded*	Shares vested	Shares subject to a performance condition	Shares awarded and unvested at year end	Shares subject to a retention period
CEO Pehr	LTIP 2019/2021	19-01-01 –22-03-31	19-06-30	22-03-31	22-05-31	11,250	0	–	11,250	11,250	0
Oscarson	LTIP 2020/2022	20-01-01 –23-03-31	20-09-30	23-03-31	23-05-31	0	25,000	–	25,000	25,000	0
						11,250	25,000	–	36,250	36,250	0

* Value of the shares in September 2020 is 1,785 KSEK

Short-Term Incentive Program (STI)

– Application of performance criteria

The performance criteria for the CEO's Short-Term variable remuneration (STI) have been selected to encourage behavior which is in the long-term interest of the company. The STI is linked to measurable criteria in line with Mekonomen Strategy including sustainability. The criteria are determined annually by the Remuneration

Committee. The measurement period is one year. To what extent the criteria are met is evaluated and determined by the Remuneration Committee, and approved by the full Board, when the measurement period has ended.

The short-term variable compensation is capped to 60% of the fixed base annual salary (72% for 2020, 120% of 60%, in line with the remuneration guide lines

Table 3. Variable short-term compensation 2020 (KSEK)

Short-Term incentive Program 2020 (STI 2020)				
Name of Director, position	Description of the criteria related to the remuneration component	Relative weighting of the performance criteria	a) Measured performance b) actual award/remuneration outcome (120%)	
CEO Pehr Oscarson	Group Net sales	25%	a) 13.52%	b) 436
	Group Adjusted EBIT	40%	a) 44.08%	b) 1,422
	Group Cash Flow	30%	a) 36%	b) 1,161
	ESG KPI Target	5%	a) 3.35%	b) 108
	Total	100%		3126

Comparative information on the change of remuneration and Mekonomen performance

Table 4. Change of remuneration and company performance over the last five reported financial years (%) (KSEK)

Annual change CEO Remuneration	2016	2017	2018	2019	2020	Average yearly base salary 2020
CEO Pehr Oscarson*	n/a	n/a	3.6%	0.0%	3.0%	5,420
Company's performance						
Sales	3%	1%	33%	52%	-3%	11,511,000
EBIT	-22%	9%	-22%	73%	5%	738,000
EBIT Margin	8%	9%	5%	6%	6%	n/a
Net Debt/EBITDA	2,19	2,03	6,44	3,68	2,42	n/a
Average remuneration on a full-time equivalent basis of employees						
Employees of the companies Mekonomen Group and Mekonomen Detaljist and Bileko Car Parts**	2.3%	2.0%	1.9%	1.8%	2.6%	445

* CEO Pehr Oscarson assumed as CEO in Q1 2017

** As reference, relevant Swedish Companies within Mekonomen Group have been selected

