LATOUR

Remuneration Report 2020

Introduction

This report describes how the guidelines for executive remuneration within the Latour Group, adopted by the Annual General Meeting 2020, were implemented in 2020. No significant changes have arisen that require updating of the guidelines adopted by the General Meeting.

The report also provides information on remuneration to the CEO. The report has been prepared in accordance with the Swedish Companies Act and the *Rules on Remuneration of the Board and Executive Management* issued by the Swedish Corporate Governance Board.

Further information on remuneration to the senior management employees is available in note 10 (Personnel) on pages 94 - 95 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 121 in the Annual Report 2020.

The guidelines for remuneration do not cover remuneration of the board of directors in accordance with 8:23a Swedish Companies Act or issues or transfers that are decided in accordance with Chapter 16 of the Swedish Companies Act (so-called LEO Act). Remuneration to the Board of Directors is resolved annually by the Annual General Meeting and disclosed in note 10 on pages 94 – 95 in the Annual Report 2020.

Key developments 2020

The CEO summarizes the Latour Group's overall performance in his statement on pages 8 – 10 in the Annual Report 2020.

Latour'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:

a) base salary (fixed cash salary)
b) short term incentive ("STI")
c) long term incentive ("LTI")
d) pension and other benefits

The variable cash remuneration (STI and LTI) 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.

The guidelines are found on pages 77 – 78 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 deviations have been made from the decision-making process that according to the guidelines is to be applied to determine the remuneration. The auditor's report regarding the company's compliance with the guidelines is available on www.latour.se/bolagsstyrning. No remuneration has been reclaimed.

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

Name of the director (position)	Fixed remuneration		Variable remuneration	Pension expense	Total remuneration	Proportion of fixed and variable remuneration
	Base salary**	Other benefits	STI			
Johan Hjertonsson (CEO)	8,690	80	4,108***	2,873	15,751	55/26

* Refers to cost expensed during the year.

** Includes change in holiday pay debt amounting to SEK 488,000.

*** SEK 1,600,000 of the variable remuneration is conditional on the acquisition of shares and/or options in Latour.

Share-based remuneration

Since 2009, Latour has established annual long-term share-based incentive programs in the form of call option programs. They have been decided by the Annual General Meeting and are therefore not covered by the guidelines decided by the General Meeting, but should still be seen as part of the spirit of them. For more information about these programs, see the respective year's notice of the Annual General Meeting. For more information, we refer to note 10 on page 95 in the Annual Report 2020.

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 sustainable 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 selected performance measures for 2020 is based on EBIT for the wholly-owned operations, where the variable remuneration to the CEO benefits from both organic and acquired growth, which goes hand in hand with the company's strategy to acquire and develop sustainable companies. The performance measures contribute to adaptation to sustainability and the company's values, despite the fact that they are expressed in financial terms. In order to further align the CEO's long-term interest with the company's long-term interest, the CEO acquires call options in the company, for a predetermined remuneration that goes beyond the basic salary.

During the reporting financial year, the CEO's performance was assessed to have met the set criterias and the remuneration outcome for variable remuneration amounts to SEK 4,108,000 of which SEK 1,600,000 is conditional for acquiring shares and/or call options in Latour.

Comparative information on the change of remuneration and company performance

Table 2 – Change of remuneration and company performance during financial year 2020*

	2020
CEO Remuneration (kSEK)	8,690
Net sales wholly-owned operations (SEK m)	14,783
EBIT wholly-owned operations (SEK m)	2,117
Latour Group net asset value (SEK m)	98,024
Average remuneration on a full time equivalent basis of employees in the Latour Group (kSEK)	490
Number of employees in the Group	6,262

* Not reported back in time, the table thus only includes the year 2020 when the rules are applied for the first time.