

Remuneration Report 2020/21

Introduction

This report describes how the guidelines for executive remuneration of Dustin Group AB (“**Dustin**”, “**we**” or “**our**”), adopted by the Annual General Meeting 2019/20, were implemented in 2020/21. The report also provides details on the remuneration to our CEO and a summary of our outstanding share-price related incentive programs. The report has been prepared in compliance 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 7 on pages 86–87 in our Annual Report for 2020/21 (the “Annual Report 2020/21”). Information on the work of the Remuneration Committee in 2020/21 is set out in the Corporate Governance Report, which is available on pages 68–79 in the Annual Report 2020/21.

Remuneration of the Board is not covered by this report. Such remuneration is resolved annually by the Annual General Meeting and disclosed in Note 7 on page 88 in the Annual Report 2020/21.

Key developments 2020/21

The CEO summarises our overall performance in his statement on page 86 in the Annual Report 2020/21.

Dustin’s remuneration guidelines: scope, purpose and deviations

A prerequisite for the successful implementation of our business strategy and safeguarding of our long-term interests, including its sustainability, is that we can recruit, retain, engage and develop qualified personnel. To this end, we must offer competitive remuneration. Our remuneration guidelines enable us 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 base salary, variable salary, pension and other benefits. In addition to remuneration covered by the remuneration guidelines, the Annual General Meetings of Dustin have resolved to implement long-term share-related incentive plans.

The application of the remuneration guidelines as well as the current structures and levels of remuneration and the uptake and expected outcome of our programs for both short- and long-term variable remuneration are continuously monitored and evaluated by the Remuneration Committee and reported and discussed at board meetings. It is the conclusion of both the Remuneration Committee and the auditor that Dustin has complied with the applicable remuneration guidelines, adopted by the Annual General Meeting 2019/20, with the following two exceptions.

1. One person, who was employed by the newly acquired Centralpoint group in the Netherlands and who as of 1 July to 30 September 2021 was a senior executive, was by the time of the acquisition entitled to a non-capped variable salary. Prior to his appointment as a senior executive of Dustin, a settlement agreement was entered into which entitled him to receive a fixed bonus of approximately 280% of the annual salary for 2021 (compared to 150%, in total, in the remuneration guidelines as to the variable salary’s proportion of the annual salary).
2. One person, who is employed by the Centralpoint group and who as of 1 July 2021 is a senior executive, was by the time of the acquisition of Centralpoint entitled to a non-capped variable salary. Prior to his appointment as a senior executive of Dustin, a settlement agreement was entered into which entitled him to receive a fixed bonus of approximately 220% of the annual salary for 2021 (compared to 150%, in total, in the remuneration guidelines as to the variable salary’s proportion of the annual salary).

The Board's reason for these special compensation arrangements was to incentivize a successful integration of Centralpoint and achievement of synergy execution targets for the new group post-closing. These special compensation arrangements were given only for 2020/21, and no similar bonus arrangement is in place for 2021/22. No other 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 our compliance with the remuneration guidelines is available on <https://www.dustingroup.com/en/general-meetings>. No remuneration has been reclaimed. Based on the conclusions from the evaluation of the programs for variable remuneration and the application of the guidelines for remuneration, the Board has decided to propose that the remuneration guidelines shall remain unchanged.

Total remuneration to the CEO

Table 1 – Total remuneration to the CEO (SEK k) during 2020/21

Name of Executive	Financial Year	Fixed remuneration		Variable remuneration		Extra-ordinary items	Pension expense	Total remuneration	Portion of fixed and variable remuneration****
		Base Salary*	Other Benefits**	One-year variable***	Multi-year variable				
Thomas Ekman, CEO	2020/21	6,023.6	93.0	3,223.4	-	-	1,751.1	11,091.1	71/29

* Including vacation allowance amounting to SEK k 24.

** Consisting of company car benefit.

*** Consisting of short-term variable remuneration earned during 2020/21 which is paid out quarterly in arrears.

**** Fixed remuneration consisting of base salary, other benefits and pension expense.

Short- and long-term variable remuneration to the CEO

Application of performance criteria on short-term variable remuneration

The performance measures for the CEO's variable salary have been selected to deliver on our strategy and to encourage behaviour which is in the long-term interest of Dustin. In the selection of performance measures, the strategic objectives and short-term and long-term business priorities for 2020/21 have been taken into account. The non-financial performance measures further contribute to alignment with sustainability, customer satisfaction and culture.

Table 2 – Performance of the CEO in the reported financial year: variable cash remuneration

Name of Executive	Description of the criteria related to the remuneration component	Relative weighting of the performance criteria	a. Measured performance and b. Actual remuneration outcome	
			a)	b)
Thomas Ekman, CEO	Group EBITA (Quarterly)	50%	a) Q1: 100%* a) Q2: 100%** a) Q3: 100% a) Q4: 100%	b) 871.2 SEK k b) 435.6 SEK k b) 435.6 SEK k b) 435.6 SEK k
	Group EBITA (Yearly)	20%	a) 100%	b) 522.7 SEK k
	Milestones (Yearly)	30%	a) 67%	b) 522.7 SEK k

*In 2020/21, Q1 was measured as a separate period with a stand-in Covid-19 model, weighted 100% on Group EBITA.

** Q2-Q4 is seen as one period with the above model.

Long-term incentive programs

Currently, Dustin has three outstanding long-term incentive programs which have been implemented following resolution from the Annual General Meeting (LTI 2019, LTI 2020 and LTI 2021). During this fiscal year, one incentive program has vested (LTI 2018).

The long-term incentive programs consist of warrants and synthetic options (only applicable for employees in Norway and the Netherlands) and have a vesting period of 3.5 years. The transfer of the warrants and synthetic options were made at a price corresponding to the market value of the warrants and synthetic options at the time of transfer (the premium), calculated according to a by the market generally accepted valuation model (Black & Scholes). The calculation was performed by an independent valuation institute.

In connection with the transfer of the warrants to the participants, Dustin has reserved a right to buy-back the warrants, if the participant ceases to be employed or performing services to the group or if the participant should transfer its warrants (pre-emptive right). Dustin has also reserved the right to (i) buy-back the synthetic options if the participant should transfer the synthetic options (pre-emptive right) and (ii) cap the amount per synthetic option, that each participant can receive in order for the market value per synthetic option to correspond to the market value per warrant.

Dustin has issued a total of 2,490,851 warrants and 246,603 synthetic options in the three outstanding programs.

The increase in Dustin's share capital may, in the event of full exercise of the warrants, amount to no more than SEK 11,575,784.005424 (assuming the current quota value and that no recalculation takes place in accordance with the terms and conditions), which corresponds to dilution of approximately 2.05% of the shares in Dustin, based on the number of shares outstanding.

Table 3 – Long-term incentive programs (CEO)

Name of Executive	The main conditions for the warrant programs					Information regarding the reported financial year			
	Name of the program	Vesting period	Purchase date	Exercise Period	Exercise Price (SEK)	Opening balance	During the year		Closing balance
						Warrants held at beginning of year	Warrants purchased	Warrants exercised	Warrant holding
Thomas Ekman, CEO	LTI 2018	25 January 2018–30 June 2021	26 January 2018	31 January–30 June 2021	871	189,387	-	189,387	-
	LTI 2019	25 January 2018–30 June 2022	22 January 2019	31 January–30 June 2022	94.0	219,204	-	-	219,204
	LTI 2020	20 January 2018–30 June 2023	20 January 2020	31 January–30 June 2023	90.9	103,883	-	-	103,883
	LTI 2021	31 January 2018–30 June 2024	27 January 2021	31 January–30 June 2024	86.0	-	116,641	-	116,641
Total						512,474	116,641		439,591

Comparative information on the change of remuneration and company performance

Table 4 – Change of remuneration and company performance of reported financial year

	2020/21
Total CEO remuneration (SEK k)	11,091.1
Change compared to previous year (SEK k)	.*
Change in percentage (%)	.*
Group operating profit (SEK m)	576,2
Change compared to previous year (SEK k)	.*
Change in percentage (%)	.*
Average remuneration on a full-time equivalent basis of employees in Dustin Aktiebolag (SEK k)**	542,9
Change compared to previous year (SEK k)	.*
Change in percentage (%)	.*

* Since we have not produced this information for this purpose previously, such comparative information will be provided in future remuneration reports.

** Total remuneration during 2019/20 split in the average number of employees in Dustin Aktiebolag (according to the Annual Report 2020/21), excluding members of the executive management.