

Remuneration Report 2022

Introduction

The annual general meeting in Stillfront Group AB (publ) (the “**Company**”) on 12 May 2022 adopted guidelines for remuneration and other terms of employment for the Company’s executive management (the “**Remuneration Guidelines**”). The Remuneration Guidelines can be found in note 8 on pp. 71-72 in the annual report 2022 (the “**Annual Report 2022**”).

The board of directors has prepared this remuneration report on how the Remuneration Guidelines have been applied during the financial year 2022. The report also provides details on the remuneration of the Company’s CEO and a summary of the Company’s outstanding long-term incentive programs.

The report has been prepared in compliance with the Swedish Companies Act (2005:551) and the Remuneration Rules issued by the Stock Market Self-Regulation Committee (ASK).

Information required by Chapter 5, Sections 40-44 of the Annual Accounts Act (1995:1554) is available in note 8 on p. 71 in the Annual Report 2022.

Information on the work of the remuneration committee in 2022 is set out in the corporate governance report, which is available on pp. 30-36 in the Annual Report 2022.

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 p. 71 in the Annual Report 2022.

Key Developments 2022

Overall company performance in 2022

For information about the general performance of the Company during the financial year, please see the CEO’s statement on pp. 6-7 and the Directors’ report on pp. 46-51 in the Annual Report 2022.

Compliance with the Remuneration Guidelines in 2022

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.

The 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 based on annual performance targets (bonus), pension benefits and other benefits. The variable cash remuneration shall be linked to predetermined and measurable criteria such as earnings, achievements in relation to the budget, the development of the Company’s share price, fulfilled sustainability goals and personal performance. By meeting these criteria, the remuneration to the CEO contribute to the Company’s business strategy, long-term value creation and sustainability.

The guidelines are found in note 8 on pp. 71-72 in the Annual Report 2022. No deviations from the Remuneration Guidelines, adopted by the annual general meeting 2022, or the procedure for implementation of the Remuneration Guidelines have been made. No remuneration has been reclaimed.

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The auditor's report regarding the Company's compliance with the Remuneration Guidelines is available on <https://www.stillfront.com/en/arsstamma-agm-2023/>.

In addition to remuneration covered by the Remuneration Guidelines, the general meetings of the Company have resolved to implement long-term share-related incentive plans and approve remuneration to the board of directors.

*Table 1 – Total remuneration of the CEO during 2022 (SEK)**

Name of Director position)	Financial year	Fixed remuneration		Variable remuneration		Extraordinary items	Pension expense****	Total remuneration	Proportion of fixed and variable remuneration
		Base salary	Other benefits	One-year variable	Multi-year variable***				
Jörgen Larsson (CEO)	2022	6,937,000**	0	0	0	0	1,192,500	8,129,500	100%/0%

* Except for Multi-year variable remuneration, the table reports remuneration earned in 2022. Multi-year variable remuneration is reported if vested in 2022, as set out in column 10 of Table 2 and column 8 of Table 3 below (as applicable). Disbursement of any payments may or may not have been made in the same year.

** Including holiday pay of approx. kSEK 994

*** Vested employee share options as set out in column 10 of Table 2 below. No options have been exercised during 2022. Since the exercise price for all vested options exceeded the market value of the underlying shares at vesting, no value has been assigned.

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

Remuneration from other entities within the Stillfront Group

The CEO has not received any remuneration from any other company within the Stillfront Group than the employing entity during the financial year 2022.

Share-based remuneration

Outstanding long-term share-based incentive programs (each an "LTIP" and together the "LTIPs")

The Company has four outstanding share related incentive programs. No LTIP has been completed in 2022.

For each outstanding program a maximum allocation pool per individual is set, which in no event exceeds 20% of the total amount of instruments issued under a program.

LTIP 2019/2023 comprises 200,000 employee share options (ESOs) which have been secured through the issuance of warrants. The number of shares that each ESO may entitle to has been recalculated following the share split completed by the Company on 28 December 2020 and the preferential rights issue announced on 19 January 2022. Subsequently, the ESOs may in total result in subscription of 2,232,081 shares against payment of a certain strike price (subject to the terms and conditions of LTIP 2019/2023).

LTIP 2020/2024 comprises 277,000 warrants. The number of shares that each warrant may entitle to has been recalculated following the share split completed by the Company on 28 December 2020 and the preferential rights issue announced on 19 January 2022. Subsequently, the warrants may in total result in subscription of 3,091,432 shares against payment of a certain strike price (subject to the terms and conditions of LTIP 2020/2024).

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LTIP 2021/2025 comprises 3,500,000 ESOs. The number of shares that each ESO may entitle to has been recalculated following the preferential rights issue announced on 19 January 2022. Subsequently, the ESOs may in total entitle holders to receive 3,906,127 shares against payment of a certain strike price (subject to the terms and conditions of LTIP 2021/2025). There is no dilution related to LTIP 2021/2025, as a potential delivery of shares has been secured via a share swap agreement with Nordea Bank Abp, filial i Sverige.

LTIP 2022/2026 comprises 2,000,000 restricted stock units (RSUs) which have been secured through the issuance of warrants. Each RSU entitles the holder to acquire one share in the Company free of charge (subject to the terms and conditions of LTIP 2022/2026). In total, the outstanding RSUs may result in subscription of 2,000,000 shares. Entitlement to shares under LTIP 2022/2026 is conditional upon the fulfilment of a performance target of total shareholder return (TSR) corresponding to 8% during a four-year measurement period (2022-2026).

Each LTIP requires the participants to hold the relevant instruments issued under that LTIP for a minimum of three years before the date of exercise, and the relevant instruments allocated to a participant under an LTIP are vested gradually based on that participant's continued employment in the Stillfront group. For LTIP 2022/2026, vesting is further conditional upon the fulfilment of the performance target set out above. If the participant ceases to be employed in the Stillfront Group, the right to all unvested instruments allocated to that participant under any LTIP is forfeited (in case of LTIP 2019/2023, also vested options will be forfeited in such a scenario to the extent they have not yet been exercised).

For additional information on the main conditions of each LTIP, see table 2 below.

Table 2 – Option programs (CEO)

Name of direct or (position)	The main conditions of share option plans							Information regarding the reported financial year					
								Opening balance	During the year		Closing balance		
	1 Name of plan	2 Performance period	3 Award date	4 Vesting date	5 End of retention period	6 Exercise period	7 Exercise price (SEK)	8 Options held at beginning of year	9 Options awarded	10 Options vested	11 Options subject to performance condition	12 Options awarded and unvested	13 Options subject to retention period
Jörgen Larsson (CEO)	LTIP 2019/2023	N/A	2020-02-20	2022-12-15	Exercise of the options ¹	2022-12-15 2023-12-15	44.80	70,000	0	70,000 ²	N/A	0	70,000 ¹
	LTIP 2020/2024	N/A	2020-06-17	1/3: 2021-05-14 1/3: 2022-05-14 1/3: 2023-05-14	N/A	2023-06-01 2024-05-31	70.38	100,000	0	33.333 ³	N/A	33.333	N/A

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	LTIP 2021/20 25	N/A	2021- 05-15	25%: 2022- 05-15 75%: Linear vesting on a quarter ly basis startin g 15 May 2021 and ending 30 April 2025	N/A	Day of Q1 report 2025 + 7-day period thereaft er Day of Q2 report 2025 + 7-day period thereaft er Day of Q3 report 2025 + 7-day period thereaft er	94.773 ⁴¹	525,000	0	236,250 ⁵¹	N/A	288,750	N/A
Total								695,000	0	339,583	0	322,083	70,000

¹¹ For LTIP 2019/2023, exercise is conditional upon the participant being employed within the Stillfront group *at the time of exercise*.

²¹ Value at vesting: kSEK 0, calculated as the aggregate market price of the underlying shares at vesting (15 Dec 2022) (SEK 19.65) less the aggregate exercise price of the options vested.

³¹ Value at vesting: kSEK 0, calculated as the aggregate market price of the underlying shares at vesting (14 May 2022) (SEK 22.95 per 16 May 2022) less the aggregate exercise price of the options vested.

⁴¹ Assuming exercise at the earliest possible time for exercise under the program.

⁵¹ Value at vesting: kSEK 0, calculated as the aggregate market price of the underlying shares at the latest vesting event (31 Dec 2022) (SEK 17.52) less the aggregate exercise price of the options vested.

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Table 3 – Restricted Stock Unit (RSU) programs (CEO)

Name of director (position)	The main conditions of share award plans					Information regarding the reported financial year					
	1 Name of plan	2 Performance period	3 Award date	4 Vesting date	5 End of retention period	Opening balance		During the year		Closing balance	
						6 Share awards held at beginning of year	7 Awarded	8 Vested	9 Subject to performance condition	10 Awarded and unvested at year end	11 Shares subject to retention period
Jörgen Larsson (CEO)	LTIP 2022/2026	2022 – 2026	2022-05-17	Subject to the Performance Target ¹ being fulfilled, the RSUs will vest as follows: 25%: 17 May 2023 75%: Linear vesting on a quarterly basis starting 1 June 2023 and ending 30 April 2025	N/A	0	300,000 ²	0	300,000	300,000	N/A
Total						0	300,000	0	300,000	300,000	N/A

¹ The participants will not receive any shares until the Performance Target has been determined by the board of directors during Q2 2026.

² Value: kSEK 3,975 per an external Monte Carlo valuation performed at the time of the award.

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 behavior 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 2022 have been considered.

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Table 4 – Performance of the CEO in the reported financial year: variable cash remuneration

Name of director (position)	Description of the criteria related to the variable remuneration	Relative weighting of the performance criteria	Maximum (SEK)	Measured performance	Actual variable remuneration
Jörgen Larsson (CEO)	Adjusted EBIT vs budget	1/3	530,000	Target not achieved	0
	Organic growth vs budget	1/3	530,000	Target not achieved	0
	Acquired growth vs budget	1/3	530,000	Target not achieved	0

Comparative information on the change of remuneration and company performance

Table 5 – Change of remuneration and company performance over the last five reported financial years (RFY)

	2022	2021	2020	2019	2018
Remuneration for the year to the CEO (kSEK)	8,129	8,154	10,562	3,883	3,883
Annual change (%)	0	-23	172	-	56
Average remuneration among the Company's full-time employees (excl. the CEO) (kSEK)*	1,304	1,474	1,812	1,625	429
Annual change (%)	-12	-19	12	279	-31
CEO pay ratio**	6.2	5.5	5.8	2.4	9.1
Consolidated net profit for the year (MSEK)	547	596	581	341	157
Annual change (%)	-8	3	70	117	109

*Remuneration includes fixed salary, variable remuneration and pension contributions for the Company's (i.e., Stillfront Group AB (publ)'s) full-time employees (excl. the CEO). The comparison figures for 2018-2021 have been adjusted in accordance with note 3 M3 in the Annual Report 2022. Accordingly, from and including 2022, average remuneration among the Company's full-time employees only comprises remuneration to employees in the parent company. In previous remuneration reports, the comparison has also included consultancy fees.

** CEO pay ratio is calculated by dividing the CEO's compensation by the pay of the average employee.