

Remuneration report 2021

Introduction

This report describes how the guidelines for executive remuneration of Sdiptech AB (publ), adopted by the annual general meeting 2021, were implemented in 2021. The report also provides information on remuneration to the CEO and a summary of the company's outstanding share-related and share price-related incentive plans. 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 6 (Employees and personnel costs) on pages 97 - 99 in the annual report 2021. Information on the work of the remuneration committee in 2021 is set out in the corporate governance report available on pages 67 - 71 in the annual report 2021.

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 6 on page 97 - 99 in the annual report 2021.

Key developments 2021

The CEO summarizes the company's overall performance in his statement on page 8 - 9 in the annual report 2021.

The company'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: fixed cash salary, variable cash remuneration, pension benefits and other benefits. The variable cash remuneration 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, by for example being clearly linked to the business strategy or promote the executive's long-term development.

The guidelines are found on pages 62 - 63 in the annual report 2021. During 2021, the company has complied with the applicable remuneration guidelines adopted by the general meeting. 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 <https://www.sdiptech.se/general-meetings/2022-annual-general-meeting>. No remuneration has been reclaimed. In addition to remuneration covered by the remuneration guidelines, the annual general meetings of the company have resolved to implement long-term share-related incentive plans.

Table 1 – Total CEO remuneration in 2021 (kSEK)*

| Name of CEO | Fixed remuneration | | Variable remuneration | Pension expense | Total remuneration | Proportion of fixed and variable remuneration*** |
|-------------|--------------------|------------------|-----------------------|-----------------|--------------------|--|
| | Base salary* | Other benefits** | One-year variable | | | |
| Jakob Holm | SEK 3,880k | SEK 6k | SEK 1,014k | SEK 810k | SEK 5,710k | 82/18 |

* Including holiday pay of SEK 443k

** Company car, health and care

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

Share-based remuneration

Outstanding share-related and share price-related incentive plans

The company has implemented long-term incentive programs for Group employees. Annual General Meetings held in February 2018 and May 2021, respectively, decided to introduce incentive programs for employees based on warrants. In 2018, three different series were published with a term of three, four and five years, respectively, and in 2021, a series with a term of three years was published. Of these, the subscription period for one series had expired and three series remained as of 31 December 2021, with a term of 2022, 2023 and 2024, respectively. Each warrant entitles the holder to subscribe for one common shares of series B at a predetermined subscription price. The right to exercise the warrants for subscription of shares requires that the participant is employed by the Group at the exercise time.

The remaining series, 2018/2022, had 216,100 warrants outstanding, the series 2018/2023, had 192,000 warrants outstanding and the 2021/2024 series had 342,481 warrants outstanding, as of 31 December 2021. In March 2021, the series 2018/2021, was expired and the 222,100 outstanding warrants were all exercised. The total number of issued warrants, 972,681 warrants, corresponds to a dilution of approximately 2.75 per cent of the total amount of common shares of series A and series B, as of 31 December 2021 and approximately 1.82 per cent of the total amount of votes in the Company that the common shares of series A and series B represent (based on the number of such outstanding shares as of 31 December 2021).

The subscription price for new B-shares subscribed for through Warrants shall be equal to an amount corresponding to certain percent of the volume-weighted average of the quoted price paid for the B-share on Nasdaq Stockholm (or another corresponding trading facility or regulated market on which the Company's shares are traded) at the time of issuance of the warrants. The percentage corresponds to 140% of the B-share price (for series 2018/2021) at the time of issuance of the warrants, and 157% and 176% respectively for the series 2019/2022 and 2018/2023. For series 2021/2024 the percentage was 126%.

Table 2 – Warrant plans (CEO)

| Name of CEO | Name of plan | Purchase period | Exercise period | Exercise price, SEK B-share | Balance as of 31 Dec 2020 | Number of warrants purchased | Number of warrants exercised | Balance as of 31 Dec 2021 |
|-------------|--------------|-----------------|-----------------|-----------------------------|---------------------------|------------------------------|------------------------------|---------------------------|
| Jakob Holm | 2018/2021 | March 2018 | Feb/Mar 2021 | 59.80 | 63,000 | 0 | 63,000 | 0 |
| | 2018/2022 | March 2018 | Feb/Mar 2022 | 67.10 | 63,000 | 0 | 0 | 63,000 |
| | 2018/2023 | March 2018 | Feb/Mar 2023 | 75.20 | 63,000 | 0 | 0 | 63,000 |
| | 2021/2024 | June 2021 | Jun - Nov 2024 | 463.00 | 0 | 50,000 | 0 | 50,000 |
| Total | | | | | 189,000 | 50,000 | 63,000 | 176,000 |

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 interest of the company. In the selection of performance measures, the strategic objectives and short-term and long-term business priorities for 2021 have been taken into account. The non-financial strategic performance measures further contribute to alignment with sustainability as well as the company values.

Table 3 - Performance of the CEO in the reported financial year: variable cash remuneration

| Name of CEO | Description of criteria | Relative weight | Outcome of criteria | Actual remuneration |
|-------------|--------------------------|-----------------|---------------------|---------------------|
| Jakob Holm | Organic profit growth | 1/3 | EBITA* +8.1% | SEK 338k |
| | Acquired runrate profits | 1/3 | SEK 158m | SEK 338k |
| | Strategic projects | 1/3 | 100% | SEK 338k |
| Total | | 100% | 100% | SEK 1,014k |

Comparative information on the change of remuneration and company performance

Table 4 – Change of remuneration and company performance over the last five financial years

| | FY 2017 vs 2016 | FY 2018 vs 2017 | FY 2019 vs 2018 | FY 2020 vs 2019 | FY 2021 vs 2020 | FY 2021 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|------------|
| CEO Remuneration | SEK+200k/+18% | SEK+385k/+30% | SEK+533k/+32% | SEK+1,394k/+63% | SEK+2,098k/+37% | SEK 5,710k |
| Group Profit (EBITA*) | SEK+12m/+11% | SEK+55m/+45% | SEK+85m/+48% | SEK+85m/+32% | SEK+162m/+47% | SEK 509m |
| Group Profit (EBIT) | SEK+46m/+41% | SEK-13/-8% | SEK+78m/+55% | SEK+89m/+40% | SEK+54m/+17% | SEK 364m |
| Average remuneration on a full-time equivalent basis of employees**) of the parent company | 1.6 | 1.7 | 1.5 | 1.9 | 2.3 | 3.5 |

) EBITA is the Group's operating profit and corresponds to EBITA before acquisition costs, divestment costs and income from remeasurement of contingent consideration payments and before acquisition-related amortisation and write-downs of intangible assets and items affecting comparability such as income from divestments

**) including management, but excluding CEO