

# Remuneration report 2020

## Introduction

This report describes how the guidelines for executive remuneration of Bilia AB (The company), adopted by the annual general meeting on 22 June 2020 (remuneration guidelines), were implemented in 2020. The remuneration guidelines shall apply as at the latest until the annual general meeting 2024.

The report also provides information on remuneration to the MD and a summary of the company's outstanding long-term incentive programme in the form of a share savings plan. The report has been prepared in accordance with 8 chap. 53 a and 53 b §§ of the Swedish Companies Act and the Rules on Remuneration of the Board and Executive Management and on Incentive Programs issued by the Swedish Corporate Governance Board.

Further information on executive remuneration is available in note 8 (Employees, personnel costs and remunerations for senior officers) on pages 62-65 in the annual report for 2020. Information on the work of the Compensation Committee in 2020 is set out in the corporate governance report available on pages 34-38 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 and disclosed in note 8 on page 64 in the annual report 2020.

## Development in 2020

The MD summarizes the company's overall performance in his statement on pages 4-5 in the annual report 2020.

## The company's remuneration guidelines: scope, purpose and deviations

The remuneration guidelines govern the decisions on remuneration made by the Board's Compensation Committee as regards to senior officers who reports directly to the MD and by the Board of Directors as a whole as regards to the MD.

A prerequisite for a successful implementation of the company's business strategy and safeguarding of its long-term interests and 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. The variable cash remuneration covered by these guidelines shall contribute to the company's business strategy, long-term interests and sustainability. For information about the company's business strategy, see Bilia's website [www.bilia.com](http://www.bilia.com).

The remuneration shall be at market terms and may be comprised of the following components: basic salary, variable salary, pension benefits and other benefits. Basic salary shall be set considering level of expertise, area of responsibility, experience and performance. In addition to basic salary, senior officers may receive variable salary.

Variable salary shall be linked to pre-determined measurable criteria which may be financial – such as profit before tax, turnover rate on capital employed and/or working capital, and the rate of used-car turnover, or non-financial, such as customer satisfaction or goals and targets related to the Company's sustainability strategy. The criteria shall be established on an annual basis by the Board of Directors. Because the goals link variable salary to the Company's results and sustainability, they promote the Company's business strategy, long-term interests and sustainability. Variable salary shall primarily be based on accomplishment of the Group's, and where applicable subsidiaries', results-based targets, and to a limited extent on individual financial goals. The measurement period is one year, and variable salary may amount to a maximum of 60 per cent of basic salary for the MD and a maximum of 50 per cent for other senior officers.

The remuneration guidelines are also described on page 26 in the annual report 2020 and in the minutes of the annual general meeting 2020 available on [www.bilia.com](http://www.bilia.com).

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 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 Bilia's website [www.bilia.com](http://www.bilia.com) among the AGM documents. No remuneration has been reclaimed during the year.

In addition to remuneration covered by the remuneration guidelines, the annual general meeting of Bilia in 2018 have resolved to implement a long-term share-related incentive programme. The programme encompasses senior officers and other key persons in the Group. The performance requirements used to assess the outcome of the programme have a clear link to the business strategy, and thus to the Company's long-term sustainable value creation. These performance requirements include total shareholder return and earnings per share. The programme also stipulates requirements on personal investment and several-year share retention. For further information about this programme, including the criteria upon which the outcome is dependent, go to [www.bilia.com](http://www.bilia.com) (under The Company, menu header Corporate Governance, Incentive Programme).

Table 1 – Total MD remuneration in 2020 (kSEK)

| Name of director (position) | 1) Fixed remuneration |                | 2) Variable remuneration |            | 3)              | Total remuneration | Prop. of fixed and variable remuneration |
|-----------------------------|-----------------------|----------------|--------------------------|------------|-----------------|--------------------|--|
|                             | Basic salary          | Other benefits | One-year                 | Multi-year | Pension expense |                    |  |
| Per Avander (MD)            | 5,303                 | 241            | 2,871                    | 325        | 3,902           | 12,642             | 75% / 25%                                |

- 1) Reported basic salary includes usual holiday pay. Other benefits refer to mainly company car, but also health insurance.
- 2) One-year variable remuneration has been earned in 2020, but will be paid in 2021. Multi-year variable remuneration refers to the part of long-term 2018 share savings plan that was earned in 2020 and will be paid after the end of the share savings plan in 2021.
- 3) Pension costs are defined-contribution and based on fixed and variable remuneration, but has in this compilation been classified as fixed remuneration.

### Share-based remuneration in the form of outstanding long-term share savings plans

The company introduced at the annual general meeting in 2018 a three-year share savings plan for about 40 senior officers and key persons. Subject to the employee having made an own investment in shares in the company (savings shares), the employee has been awarded a maximum of three performance share options. Within the framework of the share savings plan the MD has invested in 3,200 savings shares and can consequently be assigned a maximum of 9,600 performance share options, which will be awarded free of charge in 2021 provided continued employment. Earning performance shares also presupposes fulfillment of performance conditions, in addition to continued employment, – positive total shareholder return (relative weighting 33 per cent) and an increase of profit per share in 2020 compared with 2017 (relative weighting 67 per cent) from 10 to 30 per cent.

Tabell 2 – Share savings plan for the MD

#### Main conditions for the share savings plans

| Name of director (position) | 1) Name of programme    | 2) Performance period | 3) Award date | 4) Vesting date          | 5) End of retention period | 6) Earned number of share options totally | 7) Share options subject to perform. conditions | 8) Share options subject to retention period |
|-----------------------------|-------------------------|-----------------------|---------------|--------------------------|----------------------------|---|---|--|
| Per Avander (MD)            | 2018 share savings plan | 2018-2021             | 2021-05-04    | 2018-05-01 to 2021-03-31 | 2021-03-31                 | 6,400 shares (kSEK 649)                   | 3,200 aktier (kSEK 325)                         | 9,600 aktier (kSEK 974)                      |

- 1) Share savings plan approved by Bilias annual general meeting in 2018.
- 2) Time period during which performance is measured for the plan.
- 3) Date of award of shares in the share savings plan.
- 4) Vesting period for performance shares in the plan.
- 5) Date until when the participant needs to be employed by Bilias to receive award of shares in the share savings plan.
- 6) Total number of earned share options calculated based on share price as of 31 December 2020 of SEK 101.40 per share.
- 7) Total number of earned share options continued depending on performance requirements calculated based on share price as of 31 December 2020 of SEK 101.40 per share.
- 8) Total number of earned share options continued depending on employment until 31 March 2021.

## Application of performance criteria

The performance measures for the MD's variable remuneration has been selected to deliver the company's long-term strategy and to encourage behaviour which is in the interest of the company both long-term and short-term.

Table 3.a – Performance of the MD in the reported financial year: variable cash remuneration

| Name of director (position) | Description of criteria related to the remuneration component | Relative weighting of performance criteria | a) Measured performance in per cent and<br>b) actual award in kSEK |
|-----------------------------|---|--|--|
| Per Avander (MD)            | Profit before tax 2020  | 90 %                                       | a) 100%<br>b) kSEK 2,440   |
|                             | Customer satisfaction 2020                                    | 10 %                                       | a) 100 %<br>b) kSEK 431  |
|                             | TOTAL 2020  | 100%                                       | kSEK 2,871   |

Table 3.b – Performance of the MD in the reported financial year: share savings plan

| Name of director (position) | Name of programme       | Description of the criteria related to the remuneration component | Relative weighting of the performance criteria | a) Measured performance and<br>b) expected/ actual outcome |
|-----------------------------|-------------------------|---|--|--|
| Per Avander (MD)            | 2018 share savings plan | Positive total return on the Bilia share                          | 33 %   | a) 100 % 1)<br>b) kSEK 325 1)                              |
|                             |                         | Profit per share 2020 compared with 2017                          | 67 %   | a) 100 % 2)<br>b) kSEK 649 2)                              |

1. The performance period runs until 31 March 2021. Based on market price SEK 101.40 per share on 31 December 2020, full award of 3,200 shares would be obtained. Actual award calculated based on the market price SEK 101.40 per share as of 31 December 2020 multiplied by the number of share options of 3,200.
2. The performance period ran until 31 December 2020 and award takes place in May 2021. Actual award calculated based on market price SEK 101.40 per share as of 31 December 2020 multiplied by the number of share options of 6,400.

## Comparative information on the change of remuneration and company performance

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

|   | Outcome 2020<br>kSEK | Outcome 2019<br>kSEK | Change % | Outcome 2018<br>kSEK | Outcome 2017<br>kSEK | Outcome 2016<br>kSEK |
|---|----------------------|----------------------|----------|----------------------|----------------------|----------------------|
| MD remuneration (kSEK) 1)   | <b>12,317</b>        | 10,286               | +19.7 %  | 10,059               | 9,912                | 9,594                |
| Group operating profit (mSEK)   | <b>1,364</b>         | 1,125                | +21.2 %  | 943                  | 923                  | 841                  |
| Average remuneration (kSEK) on a full-time equivalent basis of employees at Bilia AB 2) | <b>661</b>           | 591                  | +11.8 %  | 578                  | 584                  | 550                  |

1. Excluding earned remuneration concerning 2018 share savings plan, where allotment of shares is made in 2021. Refers to the years 2018 to 2020.
2. Excluding MD and other members of the group executive management.