

Remuneration report 2020

Introduction

This report describes how the guidelines for executive remuneration of Hoist Finance AB (publ) (the “**Company**”), adopted by the annual general meeting 2020, were implemented in 2020. The report also provides information on remuneration to the CEO and a summary of the Company’s outstanding share-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 9 (Employee expenses) in the annual report 2020. Information on the work of the Remuneration Committee in 2020 is set out in the corporate governance report available 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 9 in the annual report 2020.

Key developments 2020

The CEO summarized the Company’s overall performance in his statement in the annual report 2020.

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 in the annual report 2020. The remuneration guidelines, adopted by the annual general meeting 2020, have been fully implemented. 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.hoistfinance.com/about-us/corporate-governance/general-meetings/AGM-2020/>. 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-based incentive plans.

Total CEO remuneration in 2019 and 2020 (SEK)

Name of director (position)	Financial Year	1 Fixed remuneration		2 Variable remuneration		3 Extraordinary items	4 Pension expense***	5 Total remuneration	6 Proportion of fixed and variable remuneration
		Gross base salary	Other benefits*	One-year variable**	Multi-year variable**				
Klaus-Anders Nysteen (CEO)	2020	7 000 000	0	0	0	0	2 108 782	9 108 782	100/0
Klaus-Anders Nysteen (CEO)	2019	6 634 080	0	1 061 000	1 592 000	0	1 970 000	11 257 080	76/24

* No additional benefits.

** Vested share awards were not paid out for 2019 due to the Covid-19 pandemic.

*** Pension expense (column 4), which in its entirety relates to Base salary and is premium defined, has been counted entirely as fixed remuneration.

Share-based remuneration

Outstanding share-based incentive plans

The Company has implemented two share based remuneration programmes (2019 and 2020) for the management team, senior executives and a number of key employees (the “**Deferred Bonus Plans**”). Under the Deferred Bonus Plans, 60 percent of the variable remuneration to senior executives included in the Deferred Bonus Plans, which shall be deferred over three years, is paid out as ordinary shares in the Company. The performance targets for the Deferred Bonus Plans are based on the improvement of results and aim to strengthen the group’s long-term profitability. The performance targets include a financial performance target that is based on the Return of Equity (RoE) for the Company. Payment of deferred remuneration by transfer of bonus shares is conditional upon the participant still being employed in the Company. The Deferred Bonus Plans for 2019 and 2020 can be found on the Company’s webpage under the section for the Annual General Meetings 2019 and 2020; <https://www.hoistfinance.com/about-us/corporate-governance/general-meetings/>. No variable pay has been paid out under the Deferred Bonus Plans, for 2019 because of the Covid-19 pandemic, and for 2020 because the financial targets were not met.

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 2020 have been taken into account. The non-financial performance measures further contribute to alignment with sustainability as well as the Company’s values.

Comparative information on the change of remuneration and Company performance

Change of remuneration and Company performance over the last three reported financial years (RFY) (SEK)

	2018	2019	2020
	RFY-1 vs RFY-2	RFY vs RFY-1	RFY 2020
Fixed remuneration including pension, CEO	6 531 000* (31,7%)	8 604 080** (5,8%)	9 108 782
Metric A EBT (MSEK)***	RFY-1: 748 vs RFY-2: 755 (-0,9%)	RFY: 82 vs RFY-1: 748 (-89%)	82
Metric B RoE (%)	RFY-1: 13 vs RFY-2: 16 (-19%)	RFY: -1 vs RFY-1: 13 (-107%)	-1
Average remuneration on a full time equivalent basis of employees of the Group****	426 092 (4%)*****	443 809 (-4%)*****	426 732*****

* 2018 remuneration for employment of 9 months.

** 2019 Excluding cancelled bonus of SEK 2 653 000 due to Covid-19.

*** We have chosen to use EBT as a metric to measure profitability.

**** Excluding members of the group executive management.

***** 2020 1231 FTE's 1631, 2019 1231 FTE's 1575, 2018 1231 FTE's 1556.