

## **THE BOARD OF DIRECTORS' REPORT PURSUANT TO SECTION 10.3 AND ITEMS TWO AND THREE OF SECTION 9.1 OF THE SWEDISH CORPORATE GOVERNANCE CODE REGARDING THE BOARD OF DIRECTORS' EVALUATION OF THE APPLICATION OF THE GUIDELINES FOR REMUNERATION TO SENIOR MANAGEMENT.**

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Pursuant to the Swedish Corporate Governance Code (the "Code") the Board of Directors, shall establish a remuneration committee which shall have as its primary task to monitor and evaluate programs for variable remuneration to the executive management, the application of the remuneration guidelines adopted by the Annual General Meeting, as well as current remuneration structure and remuneration levels in the company. If the Board of Directors deems it more appropriate, the Board of Directors in full may perform the remuneration committee's task provided that no Board member who is also part of the executive management team takes part in the committee work. The Board of Directors of Adapteo Plc ("Adapteo" or the "company") considered it appropriate that the Board of Directors in full performs the remuneration committee's task under the Code.

Pursuant to Section 10.3 and items two and three of section 9.1 of the Code, the Board of Directors hereby submits the following report on the outcome of its evaluation of the programs for variable remuneration to the executive management 2019, the application of current guidelines for remuneration to senior management resolved by the Board of Directors of Adapteo, as well as the current remuneration structure and remuneration levels in the company.

### **EVALUATION OF CURRENT PROGRAMS FOR VARIABLE REMUNERATION TO THE EXECUTIVE MANAGEMENT**

The short-term variable remuneration to the Chief Executive Officer may amount to a maximum of 70 per cent of the annual fixed salary, and for other members of the company's executive management, the variable remuneration may amount to a maximum of 50 per cent of the fixed salary. The remuneration is cash based. The Board of Directors has evaluated the set of objectives for the variable remuneration and the outcome for 2019. The Board of Directors' assessment is that short term variable remuneration is important to motivate and retain members of the executive management and to promote a performance based organizational culture.

On 30 April 2019 the Board of Directors of Cramo Plc ("Cramo") resolved on new share-based incentive plans for Adapteo employees, including the executive management, with the aim to align the objectives of the participating individuals and the company's shareholders in order to increase the equity value in the long-term, and to offer employees competitive reward plans that are based on acquiring, earning and accumulating the company's shares. Adapteo's structure for long term variable remuneration has followed the set-up for variable remuneration in Cramo with the aim to offer employees a continuity to the Cramo share-based incentive plans and a seamless transition after the demerger.

Adapteo has two long-term share-based incentive plans following the resolution by the Board of Directors of Cramo prior to the demerger; (i) Performance Share Plan (PSP) directed to Adapteo's Senior Management and key employees and (ii) Employee Share Savings Plan (ESSP) directed at all employees of Adapteo on a voluntary basis. There are currently three ongoing Performance Share Plans, one initiated 2018 and two initiated 2019. As a result of the evaluation of current long-term incentive plans, the Board of Directors has deemed it suitable to inform the Annual General Meeting 2020 of the introduction of a new cash based long-term incentive plan for 2020 to replace the current Performance Share Plan program. The Board of

Directors of Adapteo considers the proposed incentive plan for 2020 (LTI 2020) more suitable for the organizational structure of the company after the demerger. In addition, the Board of Directors has resolved not to initiate a new plan period for the Employee Share Savings Plan for 2020.

## **THE APPLICATION OF GUIDELINES FOR REMUNERATION TO SENIOR MANAGEMENT, CURRENT REMUNERATION STRUCTURES AND REMUNERATION LEVELS**

Concerning the current guidelines for remuneration to senior management that were adopted by the Board of Directors on 18 June 2019, the Board of Directors' evaluation shows that the guidelines have been applied correctly and that no deviations have been made. The auditors have submitted a statement to the Board of Directors to the effect that Adapteo has not deviated from the guidelines for remuneration to senior management.

The Board of Directors believes that Adapteo's ongoing, and during the year ended, programs for variable remuneration for senior management of the company, as well as the current remuneration structures and levels in the company, are appropriate and well balanced.

The Board of Directors will submit a proposal to the Annual General Meeting 2020 regarding the company's remuneration policy that will replace the remuneration guidelines to senior management adopted by the Board of Directors on 18 June 2019. The proposed remuneration policy has been prepared to comply with new regulations.

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Stockholm in March 2020

**Adapteo Plc**

*Board of Directors*