

Remuneration report

VBG Group AB (publ) Remuneration report for fiscal year 2020

Introduction

This remuneration report describes how the guidelines of VBG Group AB (publ) ("VBG Group") for remuneration and other terms of employment for senior executives (the "Guidelines"), adopted by the 2020 Annual General Meeting, were implemented during the year. The report also provides information on remuneration to the President and Executive Vice President of VBG Group, and a summary of VBG Group's outstanding share-based incentive plans. This report has been prepared in accordance with the Swedish Companies Act and the Rules on Remuneration of the Board and Executive Management and on Incentive Programmes from the Swedish Corporate Governance Board.

Further information on remuneration to senior executives is provided in Note 6 on pages 83–84 of VBG Group's Annual Report for 2020. Information on the activities of the Compensation Committee in 2020 is provided in the Corporate Governance Report on page 107 of the Annual Report for 2020. Information in accordance with Chapter 5, Sections 40–44 of the Swedish Annual Accounts Act is provided in Note 6 on pages 83–84 of the Annual Report for 2020. Information on VBG Group's earnings and performance in 2020 is provided in the Board of Directors' Report on pages 46–62 of the Annual Report for 2020.

Remuneration to the Board of Directors is not covered by this remuneration report. This remuneration is determined by the Annual General Meeting, and information on remuneration to the Board of Directors is provided in Note 6 on pages 83–84 of the Annual Report for 2020.

VBG Group's application of the guidelines

One prerequisite for successfully implementing VBG Group's business and sustainability strategy is recruiting and retaining management with strong competence and the capacity for achieving the goals that have been set. It is therefore necessary for VBG Group to offer senior executives competitive remuneration. These guidelines promote VBG Group's business strategy, long-term interests and sustainability by providing the company with the possibility of offering senior executives competitive remuneration.

Under the guidelines, VBG Group's remuneration system must be on market terms and competitive. Remuneration can be paid in fixed cash salary, variable remuneration, pension and other customary forms. The criteria forming the basis for disbursement of variable remuneration are to be adopted yearly by the Board for the purpose of ensuring the criteria are in line with VBG Group's current business strategy and earnings targets. The criteria may be individual or shared, financial or otherwise and must be designed in a way that they promote VBG Group's business strategy, sustainability strategy and long-term interests, which means the criteria must be clearly linked to the company's business strategy and objectives. The guidelines are provided on page 61 of the Annual Report for 2020.

Total remuneration to the President and Executive Vice President in 2020 has complied with the guidelines. No departures from the guidelines have taken place, and no departures have been made from the decision-making process that is to be applied under the guidelines for establishing remuneration. The auditor's account of whether VBG Group has complied with the guidelines is provided on the company's web site, www.vbggroup.com.

In addition to remuneration covered by the guidelines, the 2018 Annual General Meeting resolved to introduce a warrant-based incentive plan. Additional information on the incentive plan is provided in the "Share-based remuneration to senior executives" section below.

Remuneration to VBG Group's President and Executive Vice President

The table below shows the remuneration to VBG Group's President and Executive Vice President in 2020. Neither the VBG Group's President or Executive Vice President received remuneration in the form of shares in 2020.

Share-based remuneration to senior executives

VBG Group has an outstanding warrant-based incentive plan for senior executives and other key persons in the Group ("LTI 2018"). The incentive plan was resolved on at the 2018 Annual General Meeting. The price of the warrants in LTI 2018 corresponded to a calculated market value for the warrants at allocation, with the application of a Black & Scholes valuation model calculated by an independent valuation institute (SEB AB). Each warrant entitles the subscriber to one new Series B share in VBG Group up through May 20, 2022 under specifically indicated subscription periods in 2021 and 2022.

The warrants entitle the subscriber to shares in VBG Group at a subscription price corresponding to 120% of the volume-weighted average price paid for the share as listed on Nasdaq for a period of 10 trading days as of the day after the Board of Directors directed the offer to acquire the warrants to the senior executives and other key persons covered by LTI 2018. Each warrant acquired, up to the number of warrants that each participant was guaranteed to be permitted to acquire, grants the right to a subsidy corresponding to 120% of the price of the warrants provided that certain conditions are met. The subsidy will be distributed by VBG Group to participants on two occasions in two equal parts (1/2) after the halfway point in the program and after three years, respectively.

VBG Group President Anders Birgersson has acquired 20,000 warrants in LTI 2018, and VBG Group Executive Vice President Anders Erkén has acquired 15,000 warrants in LTI 2018.

No share-based incentive plan was concluded in 2020, and the conditions for LTI 2018 have not changed.

Application of the criteria for disbursement of variable remuneration

The criteria for disbursement of variable remuneration are designed to promote VBG Group's business strategy, sustainability strategy and long-term interests and are thus clearly linked to the company's business strategy and objectives.

The table below shows VBG Group's application of the criteria for disbursement of variable remuneration in 2020.

Remuneration to senior executives and the company's performance, etc.

Below is an overview of remuneration to VBG Group's President and Executive Vice President, of VBG Group's performance and the average remuneration in full-time equivalents for the other employees of VBG Group.

Remuneration to VBG Group's President and Executive Vice President in 2020

SEK '000	Fixed cash salary	Variable remuneration	Pension benefits	Other benefits	Total remuneration in 2020	Proportion of fixed remuneration	Proportion of variable remuneration
Name and position							
Anders Birgersson, President	3,960	970	1,366	104	6,400	62%	38%
Anders Erkén, Executive Vice President ¹⁾	2,753	991	857	92	4,693	59%	41%

1) All remuneration to the Executive Vice President is paid out from VBG Group Truck Equipment AB

Application of the criteria for disbursement of variable remuneration in 2020

SEK '000	Criteria	Relative weight of criteria	a) Criterion assessed	b) Maximum remuneration	c) Remuneration disbursed
Name and position					
Anders Birgersson, President	Part a: Based on EBIT margin excluding preliminary costs for incentive plans for the current year for VBG Group	50%	a)	12.7%	954
			b)	954	858
Anders Erkén, Executive Vice President	Part b: Based on earnings per share.	50%	a)	11.98	954
			b)	954	935
			c)	935	
Anders Erkén, Executive Vice President	Part a/b/c: Based on EBITA margin excluding preliminary costs for incentive plans for the current year for the Truck & Trailer Equipment and Ringfeder Power Transmission divisions.	76%	a)	18.2%	1,008
			b)	1,008	849
	Part b: Based on earnings per share.	24%	a)	11.98	318
			b)	318	312
			c)	312	

Remuneration to senior executives and the company's performance, etc.

SEK '000	2020
Name and position	
Total remuneration till President	6,400
Total remuneration till Executive Vice President	4,693
VBG Group's earnings	226,719
Average remuneration in full-time equivalents for VBG Group's other employees	414

2020 is the initial reference year, and no annual changes are therefore presented. Coming years will be added to the table above so that the annual change for the last five years will be indicated.