

# Remuneration report 2020

## Introduction

This remuneration report provides an outline of how BONESUPPORT Holding AB's ("**the Company**") guidelines for executive remuneration (the "**remuneration guidelines**"), adopted by the annual general meeting 2020, have been implemented in 2020. The report also provides details on the remuneration of the CEO and the deputy CEO.

In addition, the report contains a summary of the Company's outstanding, and during 2020 terminated, share and share-price related incentive programs. The report has been prepared in compliance with the Swedish Companies Act (2005:551) and The Swedish Corporate Governance Board's *Rules on Remuneration of the Board and Executive Management and on Incentive Programmes*.

Information required by Chapter 5, Sections 40-44 of the Annual Accounts Act (1995:1554) is available in note 11 on p. 55 in the Company's annual report for 2020 (the "**annual report 2020**").

Information on the work of the remuneration committee in 2020 is set out in the Corporate Governance Report, which is available on p. 69-72 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 11 on p. 55 in the annual report 2020. Other remuneration to the Board members, than fees for work relating to the Board, is included in this report.

## Important events 2020

For a description of significant events, please refer to the Directors' Report on p. 31 in the annual report for 2020. For further information, see also the Message from the CEO on p. 7.

### Compliance and purpose regarding the guidelines for remuneration to senior executives

A prerequisite for a successful implementation of the Company's business strategy and the safeguarding of its long-term interests, including its sustainability, is that the Company can recruit and retain qualified employees. This requires that the Company can offer competitive remuneration. The Company's remuneration guidelines enable senior executives to be offered a competitive total remuneration. The guidelines for remuneration to senior executives' state that remuneration shall be paid on market terms that enable senior executives to be recruited and retained and that the terms shall be competitive with regards to the conditions in the country where the senior executive is employed. Remuneration to senior executives may consist of a fixed salary, variable cash remuneration, pension benefits and other benefits. Fixed salary must be determined considering competence, area of responsibility and performance. The variable cash remuneration shall be based on the outcome of pre-set and well-defined goals, which must be linked to financial or non-financial criteria. The criteria must be designed so that they promote the Company's business strategy and long-term interests, including its sustainability, by, for example, having a clear connection to the business strategy or promoting the executive's long-term development. The variable remuneration shall have a maximum ceiling and may not exceed 75 per cent of the fixed annual salary for the CEO and 40 per cent of the fixed annual salary for other senior executives, whereby the individual maximum level shall be determined based on the person's position.

The guidelines for remuneration to senior executives adopted by the 2020 annual general meeting appear on p. 36-37 in the annual report for 2020. The auditor's opinion regarding the Company's compliance of the guidelines for remuneration to senior executives is available on the Company's website, <https://bonesupport.com/en-eu/investors/corporate-governance/>.

In 2020, the guidelines for remuneration to senior executives were applied without deviation and no deviations have been made from the decision-making process that according to the guidelines is to be applied when determining the compensation. No compensation has been claimed back.

In addition to remuneration covered by the adopted guidelines for remuneration to senior executives, the 2020 annual general meeting decided on remuneration to the Company's Board members and the establishment of a share savings program for employees.

**Table 1 - Total remuneration of the CEO and deputy CEO (SEKt)**

In the table below, the total remunerations paid to the CEO and deputy CEO during 2020, are disclosed.

Name and position	Financial year	Fixed remuneration		Variable remuneration		Extraordinary items	Pension expense	Total remuneration	Proportion of fixed and variable remuneration ****
		Base salary*	Other benefits**	One-year variable***	Multi-year variable				
Emil Billbäck, CEO	2020	3 173	0	2 527	0	0	253	5 953	58/42
Håkan Johansson, CFO and deputy CEO	2020	1 438	80	289	0	0	264	2 071	86/14

\* Including holiday pay for CEO of SEK 264 thousand and for deputy CEO of SEK 21 thousand.

\*\* Benefit of company car.

\*\*\* The figure for the CEO includes SEK 1,572 thousand, which pertains to performance in 2020.

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

## Share-based remunerations

The Company has three different employee stock option programs, four performance share programs and one warrant program.

### Employee stock option programs

Of the three employee stock option programs, two runs over ten years and expire 2022 and 2025 and one program runs over eight years and expires 2024. Each stock option gives the holder the right to acquire 0.2 ordinary share in the Company when exercising the option. This at a price of 0.125 SEK, equivalent to 0.625 SEK per share, in the first two programs and 5.30 SEK, equivalent to 26.50 SEK per share, in the third program. The employee stock options are vested according to a schedule in each program. A condition for allotment of options is employment or a contractual relationship with the Company at each vesting date. Of the allocated 25.7 million options, 21.6 million options were fully vested before the end of 2020. There are no remaining exercisable stock options within the program 2015/2025.

### Warrant program

There is one warrant program. It was executed in 2018 and gives the holder the right to acquire one share per warrant.

**Table 2 – Remuneration of the CEO in share options\***

Name and position	The main conditions of share award plans							Information regarding the reported financial year**					
								Opening balance	During the year			Closing balance	
	Specification of plan	Performance period	Award date	Vesting Date	End of retention period	Exercise period	Exercise price of the share (SEK)	Share options held at the beginning of the year (000)	Share options awarded (000)	Share options vested (000)	Share options subject to a performance condition (000)	Share options awarded and unvested (000)	Share options subject to a retention period (000)
Emil Billbäck, CEO	Warrant program 2018/2021	N/A	2018-06-27	N/A	N/A	2021-06-01 - 2021-06-30	15.94	170	0	0	0	0	170

\* The deputy CEO is not participating in any share option programs.

\*\* In 2020, no changes occurred regarding the warrant program 2018/2021, where the CEO holds 170,000 options.

### Performance share programs

There are three programs for newly recruited employees and one program for two Directors. All programs run over four years; the one that is aimed for the Directors runs until 2021, the other programs run until 2021, 2022 and 2023 respectively. Each savings share gives the opportunity to be allotted a maximum of two, three or four performance shares without payment depending on share price development during the duration of the program for the Directors, and for the other programs also depending on the Company's development in terms of sales and EBITDA during the duration of the program. The performance shares were issued in the form of class C-shares with a subscription price and quota value of 0.625 SEK per share. The program that runs until 2023 has been implemented during the year.

**Table 3 - Remuneration of the CEO, the deputy CEO and the Board in shares**

Name and position	The main conditions of share award plans					Information regarding the reported financial year					
						Opening balance	Change during the year			Closing balance	
	Specification of plan	Performance period	Award date	Vesting date	End of retention period	Performance share rights held at the beginning of the year*	Performance share rights awarded	Performance share rights vested**	Performance share rights subject to a performance condition	Shares awarded but not yet vested at year end	Performance share rights subject to a retention period***
Emil Billbäck, CEO	LTI2018	2018-01-01 - 2021-12-31	2018-06-20	2021-12-31	2021-12-31	30	0	N/A	30	0	30
	LTI2019	2019-01-01 - 2022-12-31	2019-06-19	2022-12-31	2022-12-31	80	0	N/A	80	0	80
Håkan Johansson, CFO and deputy CEO	LTI2018	2018-01-01 - 2021-12-31	2018-11-07	2021-12-31	2021-12-31	15	0	N/A	15	0	15
	LTI2019	2019-01-01 - 2022-12-31	2019-06-19	2022-12-31	2022-12-31	10	0	N/A	10	0	10
Tone Kvåle, Board member	LTI2018 Board	2018-01-01 - 2021-12-31	2018-07-10	2021-12-31	2021-12-31	15	0	N/A	15	0	15
Lennart Johansson, Board member	LTI2018 Board	2018-01-01 - 2021-12-31	2018-07-10	2021-12-31	2021-12-31	15	0	N/A	15	0	15

\* The number of performance shares that each person could be entitled to provided the full outcome of performance targets.

\*\* Certain performance targets are determined annually by the Board but are not presented until the end of each program, so the number of earned performance shares can only be stated after the last day of each program's earning period.

\*\*\* The number of performance share rights that are conditional on continued holdings coincides with the number of performance share rights that are dependent on performance terms.

### Performance share programs and Employee stock option programs

Employee stock options and performance shares are valued at fair value at the date of allocation. The total cost is distributed over the vesting period. The cost is accounted for as personnel cost and is credited to equity. The social security cost is revalued at fair value. When the options are exercised, the Company issues new shares. Payments received on behalf of the shares issued are credited to equity.

### Variable remuneration

The variable remuneration is linked to one or more predetermined and measurable criteria, which can be financial, such as net sales and operating profit (EBIT), or non-financial, such as qualitative targets. Less than 40 percent of the variable remuneration must be due to non-financial criteria. The criteria have been chosen to realize the Company's strategy and to encourage actions that are in the Company's long-term interest. By linking the goals in a clear and measurable way to the Company's financial and operational development, they contribute to the implementation of the Company's business strategy as well as the Company's short- and long-term development, including its sustainability.

**Table 4 – Performance of the CEO and the deputy CEO in the reported financial year**

Name and position	Description of the criteria related to the remuneration component	Relative weighting of the performance criteria	a) Measured performance
			b) Actual award / remuneration outcome
Emil Billbäck, CEO	Net sales against a defined target	30% at target fulfillment of up to 100% (with possibility of up to 45% at target fulfillment of 150%)	a) SEK 180.9 million (0%) b) SEK 0 thousand
	Operating result (EBIT) against a defined target	30% at target fulfillment of up to 100% (with possibility of up to 45% at target fulfillment of 150%)	a) SEK -98.6 million (27%) b) SEK 581 thousand
	Non-financial targets	40% at target fulfillment of up to 100% (with possibility of up to 60% at target fulfillment of 150%)	a) N/A (46%) b) SEK 990 thousand
Håkan Johansson, CFO and deputy CEO	Net sales against a defined target	30% at target fulfillment of up to 100% (with possibility of up to 45% at target fulfillment of 150%)	a) SEK 180.9 million (0%) b) SEK 0 thousand
	Operating result (EBIT) against a defined target	30% at target fulfillment of up to 100% (with possibility of up to 45% at target fulfillment of 150%)	a) SEK -98.6 million (27%) b) SEK 99 thousand
	Non-financial targets	40% at target fulfillment of up to 100% (with possibility of up to 60% at target fulfillment of 150%)	a) N/A (52%) b) SEK 190 thousand

**Table 5 – Change of remuneration and Company performance over the last five reported financial years (SEKt)**

Annual change	2016 vs 2015*	2017 vs 2016*	2018 vs 2017*	2019 vs 2018*	2020 vs 2019	2020
<b>Directors' remuneration**</b>						
Emil Billbäck, CEO (From March 1, 2018)	+1 121 (+31.6%)	-17 (-0.4%)	+4 128 (+88.7%)	-2 272 (-25.9%)	-1 510 (-23.2%)	4 998
Håkan Johansson, deputy CEO (From November 28, 2018)	N/A***	N/A***	+1 917 (+56.3%)	-3 002 (-56.4%)	-247 (-10.7%)	2 071
<b>Company's performance</b>						
Criterion: Net sales	+42 844 (+69.4%)	+24 702 (+23.6%)	-32 678 (-25.3%)	+58 839 (+60.9%)	+25 398 (+16.3%)	180 860
Criterion: EBIT	-34 839 (-64.6%)	-10 540 (-11.9%)	-75 119 (-75.7%)	+16 302 (+9.3%)	+59 541 (+37.7%)	-98 561
<b>Average remuneration on a full-time equivalent basis of employees in the Group</b>						
Employees of the Group****	+42 (+4.2%)	-13 (-1.2%)	+186 (+18.4%)	+83 (+6.9%)	-159 (-12.4%)	1 125

\* The comparison figures for 2019 vs 2018 contains both the current directors' remuneration and remuneration for the previous directors as there was a change of both during 2018. All figures before 2018 relate to earlier directors.

\*\* Including severance pay for the deputy CEO during 2018 amounting to SEK 1,290 thousand.

\*\*\* No comparison figures are given for 2015 and 2016 as there during that time was a period without deputy CEO and a period with a deputy CEO not employed within the BONESUPPORT Group.

\*\*\*\* Excluding members of the Group executive management.