



Remuneration report 2023 for Pierce Group AB (publ)

Introduction

This report (the “**Report**”) describes how the guidelines for senior executive remuneration of Pierce Group AB (publ) (the “**Company**”), adopted by the Annual General Meeting on 23 February 2021 and updated by the Annual General Meeting on 16 May 2023 (the “**Guidelines**”), were applied during 2023. The Report also provides information on remuneration to the CEO and a summary of the Company’s outstanding share-based incentive programs. The Report has been prepared in accordance with the Swedish Companies Act (2005:551), the Rules on Remuneration of the Board and Executive Management and on Incentive Programmes issued by the Swedish Stock Market Self-Regulation Committee, and the Swedish Annual Accounts Act (1995:1554).

Information pursuant to Chapter 5 Section 40-44 in the Swedish Annual Accounts Act

Further information on senior executive remuneration is disclosed in Note 8 in the Annual Report 2023. Information on the work of the remuneration committee and its work during 2023 is set out in the corporate governance report.

Remuneration of the Board is not covered by this Report. Such remuneration is resolved annually by the Annual General Meeting and disclosed in Note 8 on in the Annual Report 2023 and in the corporate governance report.

Developments during 2023

The CEO summarizes the Company’s overall development in his statement on page 5 in the annual report 2023.

The Company’s remuneration guidelines: scope, purpose and deviations

The Guidelines have been designed to ensure responsible and sustainable remuneration decisions that support the Company’s business strategy, long-term interests and sustainable business practices. The total remuneration shall be competitive and in line with market terms, reflect the individual senior executive’s performance and responsibilities and enable the Company to attract and retain qualified senior executives.

The remuneration to the senior executives may consist of a fixed salary, variable cash remuneration/salary, pension benefits and non-financial benefits. In addition, the General Meeting can resolve on share-based long-term incentive programs that the senior executives can participate in.

The complete Guidelines are disclosed in Note 8 in the Annual Report 2023. With respect to the information requirements in the Report pursuant to Chapter 8 Section 53 a 2nd par 5-8 pp in the Swedish Companies Act, the following is disclosed:

- No remuneration has been reclaimed.
- No derogations from the procedure for implementation of the Guidelines have been made.
- No deviations have been made from the Guidelines.

- No shareholder comments regarding the 2022 remuneration have been received by the Company. Consequently, no shareholder comments have been taken into account when producing the Report.

The auditor’s report regarding the Company’s compliance with the Guidelines pursuant to Chapter 8 Section 54 in the Swedish Annual Accounts Act is available on the Company’s website www.piercergroup.com no later than 26 April 2024.

Variable cash remuneration

The variable cash remuneration to the CEO is based on financial targets on group level and other group targets with associated KPIs. It is vested during a one-year period and can amount to a maximum of 70 percent of the annual fixed salary (however, see further sections “The Company’s remuneration guidelines: scope, purpose and deviations” and “Application of performance criteria” below).

Remuneration to the CEO

Despite the decline in net revenue of 8% for the financial year 2023, with an incurred adjusted EBIT loss of SEK 85 million, the board considered it prudent to reward the new and former CEO a bonus for making successful contributions to the Company’s progress in materially improving the gross margin of the Company as well as managing the Company’s net working capital to protect the overall cash situation during a very unpredictable market situation. The table below sets out the total remuneration in KSEK¹ for the Company’s CEO during the financial year 2023. The CEO has not received remuneration from any other company in the Company group.

	Fixed remuneration		Variable remuneration	Extra-ordinary items	Pension expense ²	Total remuneration	Proportion of fixed and variable remuneration
	Base salary ³	Other benefits ⁴					
Willem Vos, Acting CEO, 2023-01-01 -- 2023-06-11	2,568		874 ⁵	5,271 ⁶	280 ⁷	8,993	77% fixed 23% variable i.e. variable constitutes 31% of fixed.
Göran Dahlin, CEO, 2023-06-12 – 2023-12-31	2,206	114	830		503	3,653	77% fixed 23% variable i.e. variable constitutes 29% of fixed.

¹ In the table, remuneration that is attributable to 2023 is disclosed (regardless of the time of actual payment). Figures exclude employer’s charges / social fees payable by the employer.

² Pension expense even includes salary sacrifice (but excludes special employer’s contribution (Sw. *särskild löneskatt*)) As it relates in its entirety to Base salary and is premium-defined, this has been counted entirely as part of fixed remuneration.

³ Including vacation pay and sick pay but excluding social fees.

⁴ Refers to company car rental and health insurance (except as otherwise specified).

⁵ This reflects the variable remuneration paid to Willem Vos based only on the proportion of bonus ascribable to the base salary paid in period 2023-01-01 to 2023-06-30, while parts ascribable to salary paid under notice are recorded as part of the severance agreement. See also footnote 8).

⁶ This includes severance pay in accordance with employment agreement and salary during notice period. Part of this amount is paid during 2024.

⁷ This is paid as a pension allowance directly to Willem Vos, based on the Company’s general pension policy.



Application of performance criteria

The CEO's variable remuneration is based on a number of pre-determined and measurable criteria and goals on an annual basis, aimed at driving long-term value creation in the Company. Fulfilment of one of the criteria is a threshold requirement (so-called "qualifier") and is a prerequisite for payment of variable remuneration. To reinforce the Company's pay-for-performance philosophy, the STIP23 was designed to reward and recognize executives for beating the most important annual financial targets as set in the budget.

The table below sets out the application of performance criteria for payment of variable remuneration during the financial year, where the incentive program has provided for up to 40% of fixed annual salary (see further section "The Company's remuneration guidelines: scope, purpose and deviations").

	Description of performance criteria related to the remuneration component	Relative weighting of the performance criteria	a) Threshold requirement achieved or not b) Measured performance c) Actual award/remuneration outcome (% salary)
Willem Vos, Acting CEO, 2023-01-01 -- 2023-06-11 ⁸	Adjusted operating profit (EBIT) or cash position (qualifier EBIT ≥ -49 MSEK and cash >50 MSEK) ⁹	Threshold requirement	a) Achieved b) Adjusted EBIT = -46 MSEK Cash position = 222 MSEK c) N/A
	2023 Gross Margin (max 25% of base salary) (if <40.2% = 0%, if 40.2% = 5% and linear between 40.2% up to 42.2% = 25%) ¹⁰	62.5%	a) Achieved b) Gross Margin = 42.0% c) 23% (of max 25%)
	NWC/LTM Net Revenue bonus (maximum 15% of base salary) (if >13% = 0%, if 13% = 5% and linear between 13% down to 11% = 15%) ¹¹	37.5%	a) Achieved b) NWC/LTM = 11.1% c) 14% (of max 15%)
Göran Dahlin, CEO, 2023-06-12 – 2023-12-31 ¹²	Description of performance criteria related to the remuneration component	Relative weighting of the performance criteria	a) Threshold requirement achieved or not b) Measured performance c) Actual award/remuneration outcome (% salary)
	Adjusted operating profit (EBIT) or cash position (qualifier EBIT ≥ -49 MSEK and cash >50 MSEK) ¹³	Threshold requirement	a) Achieved b) Adjusted EBIT = -46 MSEK Cash position = 222 MSEK c) N/A

⁸ Pursuant to his severance agreement, it was agreed that Willem Vos would be eligible for bonus (subject to fulfilment of performance criteria) calculated on his actual base salary (also while under notice) for the whole of 2023.

⁹ In accordance with the terms of the Short-Term Incentive Program and the Remuneration Guidelines, the Board of Directors is empowered to make adjustments to exclude or adjust for extraordinary events. The Board regarded the decision to change assumptions regarding provisions for obsolescence as an extraordinary event. This resulted in a net increase in provisions of 39 MSEK, which entails an adjusted EBIT of -46 MSEK.

¹⁰ Ibid – (Gross Profit III reported) 607MSEK plus (net change in obsolescence depreciation) +39MSEK = 646MSEK.

¹¹ Ibid – (Net working capital reported) 107MSEK plus (net change in obsolescence depreciation) +39MSEK plus (provision for reorganization and provision for bonuses in NWC) +24MSEK = 171MSEK.

¹² Pursuant to his service agreement, Göran Dahlin's bonus entitlement is paid pro rata to the period of employment.

¹³ Ibid Footnote 9.



	2023 Gross Margin (max 25% of base salary) (if <40.2% = 0%, if 40.2% = 5% and linear between 40.2% up to 42.2% = 25%) ¹⁴	62.5%	a) Achieved b) Gross Margin = 42.0% a) 23% (of max 25%)
	NWC/LTM Net Revenue bonus (maximum 15% of base salary) (if >13% = 0%, if 13% = 5% and linear between 13% down to 11% = 15%) ¹⁵	37.5%	a) Achieved b) NWC/LTM = 11.1% c) 14% (of max 15%)

Performance of the CEO in the reported financial year as regards share-based incentives (see “Long-term share-related incentive programs” below) is not relevant to report at this stage because the relevant performance criteria reflect a multi-year performance period ending in 2026.

Comparative information on the change of remuneration and Company performance

The average remuneration per employee (excluding senior executives), based on the number of full-time equivalents in the Company and its Swedish subsidiary Pierce AB¹⁶, was 696 KSEK SEK in 2023. Cash remuneration, health insurance and pension benefits have been included in this calculation.

The Company’s complete 2023 results will be presented in the annual report 2023, which will be presented to the Annual General Meeting on 17 May 2024.

	2021 vs 2022	2022 vs 2023	2023
CEO total remuneration KSEK ¹⁷	3,090/5,228 (+69%) ¹⁸	5,228/12,646 (+142%) ¹⁹	12,646
Adjusted operating profit (EBIT) ²⁰ MSEK	58/-53	-53/-85	-85
Average total remuneration KSEK for employees in Pierce AB, excluding senior executives	675/690 (+2.2%)	690/696 (+1%)	696

The Company was listed on NASDAQ Stockholm on 26 March 2021. Consequently, comparative figures for previous financial years are not presented.

¹⁴ Ibid Footnote 10.

¹⁵ Ibid Footnote 11.

¹⁶ The average number of full-time equivalents in the Company and Pierce AB was 81 in 2023. In addition, the average number of full-time equivalents in the other Group companies PDC Logistics Sp. z o.o. and Pierce ECOM SSC, S.L. UNIPERSONAL was 318 in 2023.

¹⁷ Total remuneration stated for Willem Vos, former interim CEO, plus Göran Dahlin, CEO. See breakdown in section “Remuneration to the CEO” This includes severance for Willem Vos, who is remunerated by the Company until the employment is formally terminated on 31 March 2024.

¹⁸ Includes severance pay for Henrik Zadig. Increase excluding severance pay is 20%.

¹⁹ Includes severance pay for Willem Vos. Increase excluding severance pay is 41%.

²⁰ See Footnote 9.

Long-term share-related incentive programs

Outstanding share-related incentive programs

LTIP 2023/2026

LTIP 2023/2026 was approved by the Annual General Shareholders' Meeting on 16 May 2023, as part of an incentive program in the form of a performance-based share program for the CEO, Group Management and key employees. The program will be accounted for in accordance with IFRS 2 which stipulates that the right to receive performance shares shall be expensed as a personnel cost over the vesting period. Provided that specific targets are met, a maximum of 950,000 shares can be issued to the participants for a subscription price of SEK 0.00. The vesting period extends from 16 May 2024 to 16 May 2026. A condition for the right to receive performance shares is that the participant remains employed by the Company until 16 May 2026, subject to certain partial vesting provisions for good leavers (i.e. on early retirement, death or similar or termination by the Company other than for cause). The CEO and other members of the Executive Management team are subject to certain lock-up provisions for 12 months following the delivery of the Performance Shares. Full Terms and Conditions of the LTIP 2023/2026 are available on the Company's website at <https://www.piercergroup.com/en/annual-general-meeting-2023/>

A maximum of 950,000 ordinary shares could be allotted by the Company (by conversion from C-Shares and transfer from treasury), corresponding to a dilution of approximately 1.2 percent. The dilution has been based on the maximum number of ordinary shares and votes resulting from delivery of the Performance Shares, divided by the total number of ordinary shares and votes in the Company (based on the total number of outstanding ordinary shares and votes in the Company at the date of this Report and assuming also full exercise of the warrants referred to below under LTIP 2021/2024).

LTIP 2021/2024

An Extraordinary General Meeting held on 26 March 2021 approved the Board's proposal regarding warrant program and the issue of warrants to certain senior executives and key employees (a total of eight persons). A total of 376,443 warrants were issued and subscribed; of which 128,205 by the former CEO Henrik Zadig, 132,854 to other current and former senior executives and 115,384 to certain current and former key employees. Former interim CEO Willem Vos holds 85,470 warrants in series LTIP 2024/2024. As these warrants were acquired at market value prior to the Company becoming market-listed (and before he became CEO), they are therefore not taken up in this Report. After recalculation due to the new share issue in June 2022, each warrant carries the right to subscribe for 1.03 ordinary shares in the Company. The warrants were subscribed for at a market value of 11.70 SEK per warrant, calculated using the Black & Scholes model.

The warrants can be exercised as from the date of publication of the interim report for the period 1 January - 31 March 2024, however no earlier than 1 April 2024, up to and including 31 August 2024, at an exercise price of 71.20 SEK per share.

Upon exercise of all warrants, a maximum of 387,736²¹ ordinary shares will be issued in the Company, corresponding to a dilution of approximately 0.5 percent. The dilution has been based on the maximum number of ordinary shares and votes that may be issued upon exercise of the warrants, divided by the total number of ordinary shares and votes (excluding C-Shares)

²¹ Recalculation factor 1.03*376,443 shares due to new share issue in June 2022.



in the Company after such issues (based on the total number of outstanding ordinary shares and votes in the Company at the date of this Report).

The Company has reserved the right to repurchase warrants under certain conditions; e.g., if the participant's employment is terminated.

Share award plan (CEO)

The main conditions of share award plans					Information regarding the reported financial year ²²						
					Opening balance	During the year			Closing balance		
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	
Name of plan	Performance period	Award date	Vesting date	End of retention period	Share awards held at beginning of year	Awarded	Vested	Subject to performance condition	Awarded and unvested at year end	Shares subject to retention period	
Göran Dahlin	2023/2026	2023/2026	19 July 2023	16 May 2026	16 May 2027	0	175,000 ²³	0	175,000	0	0
Total						0	175,000	0	175,000	0	0

Stockholm in March 2024
The Board in Pierce Group AB (publ)

²² In 2023, the CEO was awarded the right to participate in the LTI 2023, with eligibility to receive a maximum of 175,000 Performance Shares, subject to the terms of the plan.

²³ Due to ongoing vesting requirements and the mechanics of the LTI 2023, no actual Performance Shares were in existence in 2023. Hypothetical value may be reported as 1,138 kSEK, calculated as the market price per ordinary share at the time of award (SEK 6.5) multiplied by the maximum number of performance shares obtainable (175,000).