

*Unofficial English translation for information purposes only. If there are differences between the English translation and the Swedish original, the Swedish text will take precedence.*

## **THE BOARD'S PROPOSAL FOR RESOLUTION ON PERFORMANCE BASED INCENTIVE PROGRAMME (LTI 2023)**

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### **General**

The board believes that an incentive programme that is connected to the company's profits, and at the same time its increase in value, will award and foster the long-term growth of the company. Further, an incentive programme will contribute to the ability of the company to retain and recruit key employees within the group.

Considering the above, the board proposes a long-term performance based incentive programme ("LTI 2023") under which senior executives and key employees will be entitled to receive performance shares that entitle the participants to receive shares in the company under the terms and conditions set out below. The board's intention is that the incentive programme will run over a long-term period, thus the board intends to propose the general meeting in the coming years to resolve upon similar incentive programmes.

To be able to implement LTI 2023 in a cost-efficient and flexible manner, the board has considered various methods for transferring shares under LTI 2023, such as repurchase and transfer of own shares to participants in LTI 2023, transfer of warrants entitling to subscription of new shares, or share swap agreement with a third party. The board has also taken into consideration that delivery of shares under LTI 2023 will be made no earlier than 2026. In order to retain full flexibility, the board proposes that shares can be delivered with any of the above three alternate methods (in accordance with the proposals below and the board's proposal on directed issue and transfer of warrants and the board's proposal on acquisition and transfer of own shares to participants in LTI 2023, with the right for the board to combine or choose any of the methods.

### **The proposal**

Concentric has implemented LTI programmes on an annual basis since 2012. The LTI programme has enabled Concentric to offer a competitive total reward package necessary to attract and retain employees who are critical to Concentric's ongoing success.

The board proposes that the general meeting resolve on the implementation of a long-term incentive programme, LTI 2023, principally based on the following conditions and principles.

1. LTI 2023 shall comprise the CEO, up to 11 senior executives and 25 other key employees (total of 37 employees).
2. Each participant will free of charge receive a performance share award under LTI 2023 ("LTIP Award") entitling the participant to receive an allocation of a number of Concentric shares free of charge from Concentric or from a designated third party, subject to the satisfaction of the performance conditions set out under the heading "Performance criteria" below, as well as the condition in item 5 below ("Performance Shares").

3. Any Performance Shares will be allocated after the expiration of the three-year vesting period, which begins on the date decided by Concentric and notified to the participant in LTI 2023 and continues until the day of publication of the interim report for Q1 of the 2026 financial year (the "Vesting Period"). Offer of participation in LTI 2023 can be offered up to and including 31 May 2023.
4. Within LTI 2023, the value of the underlying shares at the time of grant in respect of each LTIP Award will amount to (i) for the CEO a value of up to 100 per cent of his annual base salary, (ii) for 11 other senior executives a value of up to 40 per cent of their respective annual base salary, and (iii) for a total of 25 other key employees a value of up to 20 per cent of their respective annual base salary. References to the annual base salary means the participant's base salary effective from 1 April 2023. The share price used to calculate the value of the underlying shares in respect of each LTIP Award, and hence the number of shares to which each LTIP Award entitles, shall be SEK 226.60 ("Input Value"), which equals to the average of each trading day's volume weighted average share price on Nasdaq Stockholm during the period from 9 February 2023 to 22 February 2023 (inclusive), rounded to the nearest ten öre.
5. Receiving the Performance Shares is subject to the participant remaining employed in the Concentric group (with certain exceptions decided by the board) throughout the three-year lock-up period, thus up to and including the date of receiving the Performance Shares.
6. The board shall be authorised to resolve on a premature allocation of the Performance Shares (i) if a person, alone or together with related parties, acquires such number of shares in the company that it, in accordance with applicable rules, gives rise to an obligation to announce a mandatory offer to acquire all outstanding shares in the company or (ii) for individual participants based on individual circumstances, or (iii) if premature allocation is otherwise deemed to be suitable or appropriate, taking into account performance achieved to the date of premature allocation.
7. The number of Performance Shares that may be transferred to participants in LTI 2023 may be recalculated due to a bonus issue, share split, rights issue and/or any similar event, by applying the recalculation principles applicable on the warrants proposed to the general meeting under the board's proposal on directed issue of warrants. In addition, the board may adjust the performance criteria due to circumstances affecting comparability of key figures, e.g. non-recurring events such as acquisitions, divestments and similar.
8. The board shall decide on the detailed terms and conditions of LTI 2023. The board shall be entitled to deviate from or adjust the terms and conditions as a result of local regulations and practice.
9. LTI 2023 comprises a maximum of 105,000 Performance Shares.

#### *Performance criteria*

The portion (if any) of an LTIP Award that will vest at the end of the Vesting Period is based on and subject to the satisfaction of the performance conditions set out below during the 2023, 2024, and 2025 financial years, i.e. during the period 1 January 2023 up to and including 31 December 2025 ("Performance Period"). The percentage weighting between the different performance conditions is stated below and the outcome for each performance condition will be determined individually. This

means, inter alia, that all performance conditions do not have to be fulfilled for allocation of Performance Shares to take place.

#### Earnings per share

40 per cent of the allocation under an LTIP Award will depend on the accumulated earnings per Concentric share ("EPS") during the Performance Period. The Board of Directors will determine a minimum and maximum level, which will be disclosed after expiry of LTI 2023. If the minimum level is reached, an allocation of 25 per cent related to EPS will occur. If the maximum level is reached or exceeded, a full allocation related to EPS will occur. If the outcome is between the minimum level and the maximum level, a linear allocation related to EPS will occur. If the minimum level is not reached, no allocation related to the EPS will occur.

#### Return on capital employed

40 per cent of the allocation under an LTIP Award will depend on the average return on capital employed ("ROCE") during the years covered by the Performance Period. The Board of Directors will determine a minimum and maximum level, which will be disclosed after expiry of LTI 2023. If the minimum level is reached, an allocation of 25 per cent related to ROCE will occur. If the maximum level is reached or exceeded, a full allocation related to ROCE will occur. If the outcome is between the minimum level and the maximum level, a linear allocation related to ROCE will occur. If the minimum level is not reached, no allocation related to the ROCE will occur.

#### Sustainability

20 per cent of the allocation under an LTIP Award will depend on the revenue from the sale of electrical products as a percentage of total group revenue ("ESG Target") at the end of the final year of the Performance Period. The Board of Directors will determine a minimum and maximum level, which will be disclosed after expiry of LTI 2023. If the minimum level is reached, an allocation of 25 per cent related to the ESG Target will occur. If the maximum level is reached or exceeded, a full allocation related to ESG Target will occur. If the outcome is between the minimum level and the maximum level, a linear allocation related to ESG Target will occur. If the minimum level is not reached, no allocation related to the ESG Target will occur.

#### *Authorisation to enter into a swap agreement*

The company's supply of shares to the participants under LTI 2023 may be made by instructing a third party to deliver Concentric shares under a swap agreement.

In accordance with this, the board proposes that the general meeting resolve to authorise the board to enter into a swap agreement regarding own shares. Thus, it is proposed that the financial exposure of LTI 2023 may be hedged by the company entering into a share swap agreement with a third party, whereby the third party in its own name shall acquire and transfer Concentric shares to participants in LTI 2023.

#### Costs

The LTI 2023 may result in annual costs of no more than MSEK 7.1 for the company if the performance criteria are fully met, and an annual 15 per cent share price growth is assumed. In addition to this, social security charges will apply upon allocation of the Performance Shares, in the year 2026. Social security charges may amount to no more than MSEK 1.5 annually, based on the above assumptions.

Information on other current incentive programmes may be found in the attached [Appendix](#).

*Preparation of the matter*

The board's proposal on LTI 2023 has been prepared by the board.

*Voting majority*

The general meeting's resolution on this proposal is valid only if it is supported by shareholders representing more than half of the votes cast.

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**Concentric AB (publ)**  
*The board*

## Appendix

Concentric AB Annual General Meeting 2020-2022 have decided upon three long-term performance based incentive programmes, under which senior executives and key employees participating in the schemes are entitled to receive employee stock options that entitle them to acquire Concentric shares. The fair value of the options has been calculated according to the Black & Scholes-method.

In order to ensure and maximise the management's engagement in the company, allocation of employee stock options was conditioned upon the participants becoming shareholders in the company by their own investments of Concentric shares in the stock market.

Delivery of shares under the LTI programmes is conditional upon continuity of employment and holdings of these savings shares throughout the respective three year lock up period. All incentive programmes are equity-settled. Key data and parameters are included in the tables below.

Employee stock options	LTI 2022	LTI 2021	LTI 2020
President and CEO	51,960	-	-
Other senior executives	58,744	17,920	7,512
<b>Total stock options</b>	<b>110,704</b>	<b>17,920</b>	<b>7,512</b>

Employee stock options	55,352	8,960	3,756
Performance stock option 1	27,676	4,480	1,878
Performance stock option 2	27,676	4,480	1,878
<b>Total stock options (=Number of shares)</b>	<b>110,704</b>	<b>17,920</b>	<b>7,512</b>
Criteria for performance stock option 1	2024 EPS ≥ SEK 10.50	2023 EPS ≥ SEK 8.00	2022 EPS ≥ SEK 9.50
Criteria for performance stock option 2	2024 EPS ≥ SEK 12.50	2023 EPS ≥ SEK 10.00	2022 EPS ≥ SEK 12.00
<b>Number of senior executives</b>	<b>17</b>	<b>6</b>	<b>2</b>
<b>Conditioned by own investments of shares</b>	<b>27,676</b>	<b>4,480</b>	<b>1,878</b>

Changes in number of stock options	2022	2021	2020
Opening balance, 1 January	131,016	319,876	331,444
Granted	110,704	22,320	97,712
Options exercised	-49,592	-100,340	-102,800
Lapsed LTI 2017	-	-	-
Lapsed LTI 2018	-	-	-
Lapsed LTI 2019	-49,592	-22,640	-6,480
Lapsed LTI 2020	-2,000	-88,200	-
Lapsed LTI 2021	-4,400	-	-
<b>Closing balance, 31 December</b>	<b>136,136</b>	<b>131,016</b>	<b>319,876</b>

Key parameters	LTI 2022	LTI 2021	LTI 2020
Average exercise price, SEK	194.40	162.80	142.00
Average price per option, SEK	47.80	34.83	28.95
Risk free interest rate, %	0.05	-0.25	-0.32
Expected volatility, % <sup>1)</sup>	30.00	29.00	28.00
Assumed dividend during 3 year period, SEK	12.73	16.60	15.09
Average share price at grant date, SEK	215.60	180.90	157.80
Lock up duration of scheme, years	3	3	3
Personnel cost recognised in year 2022, MSEK	1.6	0.3	0.1
Annual cost of scheme, MSEK	2.4	0.3	0.1
Total cost of scheme over 3 year vesting period, MSEK	7.3	0.9	0.3

## Footnote:

- 1) The volatility applied in the valuation has been estimated based on the weighted average of the 100-day historical volatility for the shares traded on NASDAQ OMX Stockholm.