



## **The Board of Directors' proposal for implementation of a share savings program 2018, authorization to resolve to issue class C shares and transfer of shares under the share savings program (item 17)**

### **Background**

The board of directors of Acando AB ("Acando" or the "Company") would like to increase the potential for recruiting and retaining key employees, and therefore proposes that the AGM approve the implementation of a share savings program 2018 (the "Program") for senior executives and other key employees within the Acando Group. The Program has a similar structure to the share savings programs approved by the Annual General Meetings ("AGMs") held in 2008, 2009, 2010, 2011, 2012, 2013, 2014 (and extraordinary general meeting 2014), 2015, 2016 and 2017.

### **The Program**

#### *Aims*

The board of directors' main aim is to use the Program to increase the ability of the Company to recruit and retain key employees, and to create an individual long-term ownership commitment among the participants in the Program which is expected to stimulate greater interest in the Company's business operations and results, improve motivation, and increase the feeling of affinity within the Company. The Program will cover in total no more than 50 senior executives and other key employees in the Acando Group based in Sweden and other countries. Participants will, after a qualifying period of just over three years and assuming an investment of their own in Acando shares, be given the opportunity to receive allotments of additional Acando shares without consideration, the number of shares depending partly on the number of Acando shares they have purchased themselves and partly on whether certain performance conditions have been fulfilled. The term of the Program is proposed to be just over three years.

#### *Conditions for participation*

Participation in the Program assumes that the participant, during the period 9 May 2018 – 7 June 2018, acquires and locks into the Program class B Acando shares ("Savings Shares"). The board can, however, in certain cases, allow class B Acando shares acquired before this period to qualify as Savings Shares, on condition that they are locked into the Program and are not included in any current ongoing other option or share saving program or similar program.

The allotment of Performance Shares under the Program will take place within a period of 30 trading days from the day after that on which the Company publishes its interim report for the second quarter of 2021.

A prerequisite for the participant's right to receive Performance Shares is that the participant continues to be employed within the Acando Group throughout the qualification period until the day of allotment and that the participant, during this period, has retained the Savings Shares that have been locked into the Program. The employee shall be able to produce the contract note for each Savings Share, as proof that the Savings Share was purchased during the period 9 May 2018 – 7 June 2018, or before that date if the board has allowed this in accordance with

the above, and that the employee still owns the Savings Share in question. The allotment of Performance Shares requires, in addition, that certain performance conditions are fulfilled.

### *Scope*

Based on the fulfilment of performance requirements maximum 1,000,000 Performance Shares of Acando class B shares are allocated. A resolution on participation in the Program and the maximum number of Performance Shares each participant may be allotted, will be adopted by the board of directors no later than 30 June 2018. On that occasion, the employee's position within and importance to the Acando Group will, among other items, be taken into consideration.

The key people within the framework of the Program will be able to acquire Savings Shares and receive Performance Shares without consideration, in accordance with the following four categories.

- Category A (the managing director): a maximum of 18,000 Savings Shares and 216,000 Performance Shares Type 1,
- Category B (maximum 7 individuals) each a maximum of 12,000 Savings Shares and 120,000 Performance Shares Type 1,
- Category C (maximum 20 individuals) each a maximum of 3,000 Savings Shares and 12,000 Performance Shares of which 3,000 Performance Shares Type 2 and 9,000 Performance Shares Type 1,
- Category D (maximum 40 individuals) each a maximum of 3,000 Savings Shares and 3,000 Performance Shares Type 2.

Performance Shares are divided into Type 1 and Type 2, with different performance requirements. However, the Program in total may not exceed a maximum of 1,000,000 Performance Shares, of which maximum 180,000 Performance Shares Type 2.

Any resolution on participation in the Program shall be conditional on that it, in the Company's judgement, can be offered with reasonable administrative costs and financial contribution. Prior to the allotment of Performance Shares, the board of directors shall assess whether the allotment is reasonable in relation to the Company's financial results, position and performance compared with competitors, as well as other factors. In this regard, the participant's maximum gross profit per Performance Share shall be limited to four times the share price of the class B Acando share at the time of the commencement of the qualification period<sup>1</sup>, for which reason the number of Performance Shares allotted to the participant may be reduced proportionally in order to achieve such limitation.

The maximum number of class B Acando shares included in the Program amounts to approximately 0.9 percent of the number of issued shares after dilution and approximately 0.7 percent of the number of votes after dilution.

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<sup>1</sup> Calculated in accordance with the official exchange list quoted average volume-weighted price paid on the specified date for class B Acando shares on Nasdaq Stockholm.

The board of directors, or a committee appointed by the board of directors shall, by applying the above guidelines, have the right to adopt more detailed terms for the Program. Minor deviations may be made from the above guidelines should the board deem that special grounds prevail in individual cases.

**Performance conditions**

The allotment of Performance Shares, in addition to the requirements mentioned above, shall be dependent on the fulfilment of certain performance conditions related to the Acando Group's earnings per share before tax but after dilution (“EPS”) for the financial years 2018-2020. The maximum number of Performance Shares is determined in accordance with the table below based on the results for financial year 2018. The exact number shall be calculated as a linear interpolation between the breakpoints in the table below.

| <b>Performance Shares Allotment</b> | <b>No allotment</b> | <b>25 percent allotment</b> | <b>40 percent allotment</b> | <b>100 percent allotment</b> |
|-------------------------------------|---------------------|-----------------------------|-----------------------------|------------------------------|
| Type 1: Outcome EPS 2018, SEK       | <1.87               | 1.87                        | 2.31                        | >2.64                        |
| Type 2: Outcome EPS 2018, SEK       | <1.87               | NA                          | NA                          | >1.87                        |

The allotment is then made by one-third of the participant’s maximum share for each year of fiscal years, 2018, 2019 and 2020. The requirement for the allotment is that the threshold value for the allotment is reached each fiscal year. Acando’s overall financial target is the basis on which the performance conditions in the table have been determined.

**Long-term ownership – minimum qualification holding for future programs**

For the purpose of ensuring long-term ownership in Acando, a minimum qualification condition was introduced 2010 for participation in future programs higher categories. The intention is that the minimum level be increased over time, partly through participation in the 2010, 2011, 2012, 2013, 2014, 2015, 2016 and 2017 program and partly through participation in this and future incentive programs. The minimum level is defined as the value of the aggregate volume of allocated Savings Shares and Performance Shares, i.e. there is no requirement for additional investment in shares by the participants. During the period until the minimum level has been attained, the participant does not have the right to sell Savings Shares or Performance Shares. Exceptions are only for sale to cover personal income tax in connection with the final allotment in the programs.

The minimum level shall be limited to a maximum;

- Category A – 300 percent of basic annual salary (fixed salary)
- Category B – 300 percent of basic annual salary (fixed salary)
- Category C – No minimum holding requirement
- Category D – No minimum holding requirement

When the minimum holding has been attained, the participant has the right to sell shares above that level.

## **Hedging**

The Program involves some financial risk to the Company resulting from fluctuations in the price of class B Acando shares. To ensure that the Program can be implemented in a cost-effective and flexible manner, the board of directors considered a number of methods to facilitate the transfer of class B Acando shares under the Program.

The board of directors considers that the most cost-effective and flexible method to facilitate the transfer of class B Acando shares under the auspices of the Program is obtained through a directed issue of Class C shares repurchased since. Class C shares will then be held by the Company and then the appropriate number of Class C shares, following reclassification into Class B shares, be transferred to participants in accordance with the program and other outstanding equity incentive plan.

Since the Company's costs in connection with an equity swap agreement significantly exceeds the cost of transfer of shares, the main alternative is that the financial exposure is secured by transfer of own shares.

## **Estimated expense and value of the Program**

Generally accepted accounting principles (IFRS 2) require that the value of the right to Performance Shares under the Program shall be recognised as a personnel cost in the income statement during the qualifying period. The rights which accrue to the participants under the Program do not constitute securities and cannot be pledged, transferred or disposed of other than through being exercised. It is, however, possible to estimate the value of each right to a Performance Share. The board of directors has estimated the value of each right to a Performance Share at SEK 24.90. The estimate is based on generally accepted valuation principles, using the closing price for the class B Acando shares on 21 February 2018, and deducting the present value of estimated dividends for financial years 2018-2020. The total estimated value of the Performance Shares which are expected to be transferred under the Program, based on the above-mentioned special performance conditions being 50 percent achieved and with an estimate of staff turnover, is around SEK 10 million. This is equivalent to about 0.3 percent of Acando's market capitalization on 21 February 2018.

Social security contributions will be recognised as an expense in the income statement through regular provisions in accordance with generally accepted accounting principles. The amount of these regular provisions will be revalued in line with the trend in the value of the right to Performance Shares, and the contributions payable on the allotment of Performance Shares.

The total cost of the Program including social security contributions is estimated, based on an annual share price rise of 10 percent, administrative expenses and advisory expenses, at around SEK 15 million, which is equivalent on an annual basis to approximately 0.3 percent of Acando's estimated personnel costs for 2018.

The Company's theoretical maximum cost for the Program, in respect of social security contributions, can be determined since the participants maximum potential earnings per share is four times the share price at the time of the commencement of the qualification period. If all

the participants in the Program remain as employees during the life of the Program, and the Company's earnings per share exceed the condition for maximum allocation, the Company's total expense for social security contributions will be  $4 \times \text{SEK } 29.70 \text{ per share (share price as at 21 February 2018)} \times 1,000,000 \text{ shares} \times 31.42 \% = \text{SEK } 37 \text{ million}$ .

In the view of the board of directors, the positive effects expected to arise from the senior executives and other key employees increasing their shareholdings and, in addition, further increasing their holdings through Performance Shares, outweigh the costs associated with the Program.

### ***Delivery of shares in accordance with the Program***

To ensure delivery of Class B shares according to the Program as well as other equity-related incentive programs, the Board proposes that the Annual General Meeting resolve to authorize the Board to resolve on a direct issue of Class C shares to Nordea Bank AB (publ) or other institution and further to authorize the Board to subsequently resolve to repurchase the Class C shares from Nordea Bank AB (publ) or other institution. The Class C shares will then be held by the Company, where after the appropriate number of Class C shares will be reclassified into Class B shares and subsequently delivered to the participants under the Program as well as other outstanding equity-related incentive programs.

The Board further proposes that the Annual General Meeting resolves that a maximum of 1,000,000 Class B shares may be transferred to participants in accordance with the terms of the Program. These shares can either be Class B treasury shares held by the Company or Class B shares held by the Company after reclassification from Class C shares.

To the extent that a share swap agreement is entered into to hedge the obligations under the Program, the estimated expense will rise by about SEK 3.5 million. Any fluctuations in the value of the swap agreement during the life of the Program will be recognised as an income or expense in the income statement.

### **Impact on key ratios**

On a proforma basis, the expense of the Program will have a negative effect equivalent to a reduction in earnings per share of around SEK 0.05.

### **Preparation of the proposal**

The proposal to the Annual General Meeting on the Program has been designed by the remuneration committee with the help of external advisors, and in consultation with certain major shareholders. At the board meeting of 19 March 2018, the board of directors resolved that a new incentive program should be proposed to the Annual General Meeting. With the exception of members of staff who prepared the material for the remuneration committee, no employee who may be covered by the Program has participated in preparing the conditions for the Program.

## THE PROPOSAL OF THE BOARD OF DIRECTORS

The board of directors proposes that the Annual General Meeting pass a resolution on the implementation of the Program as described above and in accordance with the guidelines given below in section A.

Since the board of directors considers that the most cost-effective and flexible method of transferring Class B Acando shares under the Program is obtained through a directed issue of Class C shares repurchased since. Class C shares will then be held by the Company and then the appropriate number of Class C shares, following reclassification into Class B shares, be transferred to participants in accordance with the program and other outstanding equity incentive plan. This in accordance with item B.-D. below.

Should the necessary majority not be obtained for this proposal, the board of directors proposes that the transfer be hedged by entering into a share swap agreement with a third party in accordance with item E. below.

### *A. Implementation of a share savings program*

With reference to the above, the board of directors proposes the implementation of a share savings program based on the main terms and principles stated below.

- a) The Program will cover in total no more than 50 senior executives and other key employees in the Acando Group based in Sweden and other countries. Participants will, after a qualifying period of just over three years and assuming an investment of their own in Acando shares, be given the opportunity to receive allotments of additional Acando shares without consideration, the number of shares depending partly on the number of Acando shares they have purchased themselves and partly on whether certain performance conditions have been fulfilled.
- b) The term of the Program is proposed to be three years.
- c) Participation in the Program assumes that the participant, during the period 9 May 2018 – 7 June 2018, acquires and locks into the Program class B Acando shares ("Savings Shares"). The board can, however, in certain cases, allow class B Acando shares acquired before this period to qualify as Savings Shares, on condition that they are locked into the Program and are not included in any other current ongoing option or share saving program or similar program. Dependent on the fulfilment of certain performance conditions linked to Acando's earnings per share before taxes but after dilution ("EPS") for the financial years 2018-2020, the participant shall be entitled, without consideration, to receive an allotment of class B Acando shares ("Performance Shares"), provided that that conditions for Savings Shares have been met.
- d) The allotment of Performance Shares under the Program will take place within a period of 30 trading days from the day after that on which the Company publishes its interim report for the second quarter of 2021.

- e) A prerequisite for the participant's right to receive Performance Shares is that the participant continues to be employed within the Acando Group throughout the qualification period until the day of allotment and that the participant, during this period, has retained the Savings Shares that have been locked into the Program. The employee shall be able to produce the contract note for each Savings Share, as proof that the Savings Share was purchased during the period 9 May 2018 – 7 June 2018, or before that date if the board has allowed this in accordance with the above, and that the employee still owns the Savings Share in question. The allotment of Performance Shares requires, in addition, that certain performance conditions be fulfilled.
- f) Based on the fulfilment of performance requirements maximum 1,000,000 Performance Shares of Acando class B shares are allocated. A resolution on participation in the Program and the maximum number of Performance Shares each participant may be allotted, will be adopted by the board of directors no later than 30 June 2018. On that occasion, the employee's position within and importance to the Acando Group will, among other items, be taken into consideration.
- g) The key people within the framework of the Program will be able to acquire Savings Shares and receive Performance Shares without consideration, in accordance with the following four categories.
- Category A (the managing director): a maximum of 18,000 Savings Shares and 216,000 Performance Shares Type 1,
  - Category B (maximum 7 individuals) each a maximum of 12,000 Savings Shares and 120,000 Performance Shares Type 1,
  - Category C (maximum 20 individuals) each a maximum of 3,000 Savings Shares and 12,000 Performance Shares of which 3,000 Performance Shares Type 2 and 9,000 Performance Shares Type 1
  - Category D (maximum 40 individuals) each a maximum of 3,000 Savings Shares and 3,000 Performance Shares Type 2.

Performance Shares are divided into Type 1 and Type 2, with different performance requirements. However, the Program in total may not exceed a maximum of 1,000,000 Performance Shares, of which maximum 180,000 Performance Shares Type 2.

- h) Any resolution on participation in the Program shall be conditional on that it, in the Company's judgement, can be offered with reasonable administrative costs and financial contribution. Prior to the allotment of Performance Shares, the board of directors shall assess whether the allotment is reasonable in relation to the Company's financial results, position and performance compared with competitors, as well as other factors. In this regard, the participant's maximum gross profit per Performance Share shall be limited to four times the share price of the class B Acando share at the time of the commencement of the qualification period,<sup>2</sup> for which reason the number of

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<sup>2</sup> Calculated in accordance with the official exchange list quoted average volume-weighted price paid on the specified date for class B Acando shares on Nasdaq Stockholm.

Performance Shares allotted to the participant may be reduced proportionally in order to achieve such limitation.

- i) The number of Performance Shares may be subject to recalculation as a result of an intervening bonus issue, split, rights issue and/or similar events.
- j) The board of directors, or a committee appointed by the board of directors shall, by applying the above guidelines, have the right to adopt more detailed terms for the Program. Minor deviations may be made from the above guidelines should the board deem that special grounds prevail in individual cases. The board shall also, in case circumstances arise that significantly affect the difficulty in achieving the set performance targets, adjust them so that the estimated difficulty level is maintained.
- k) The maximum number of class B Acando shares included in the Program shall amount to approximately 0.9 percent of the number of issued shares after dilution and approximately 0.7 percent of the number of votes after dilution.
- l) For the purpose of ensuring long-term ownership, a minimum qualification condition is to be introduced for participation in future programs. The intention is that the minimum level be increased over time, partly through participation in the 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017 and 2018 program and partly through participation in future incentive programs. The minimum level is defined as the value of the aggregate volume of allocated Savings Shares and Performance Shares, i.e. there is no requirement for additional investment in shares by the participants. The minimum level shall be limited to a maximum of 300 percent of basic annual salary (fixed salary) for Category A and B. For Category C and D there is no minimum holding requirement. During the period until the minimum level has been attained, the participant does not have the right to sell Savings Shares or Performance Shares. Exceptions are allowed for the costs of personal income tax in allotment of current share savings programs. When the minimum holding has been attained, the participant has the right to sell shares above that level.

#### ***B. Authorization to resolve to issue Class C shares***

The Board proposes that the Annual General Meeting resolves to authorize the Board, during the period until the Annual General Meeting 2019, to increase the Company's share capital by not more than SEK 1,379,238 by the issue of not more than 1,000,000 class C shares, each with a ratio value of SEK 1.3792. With disapplication of the shareholder's preferential rights, Nordea Bank AB (publ), or other institution, shall be entitled to subscribe for the new class C shares at a subscription price corresponding to the ratio value of the shares. The purpose of the authorization and the reason for the disapplication of the shareholder's preferential rights in connection with the issue of shares is to ensure delivery of class B shares to participants under the Program.

#### ***C. Authorization to resolve to repurchase Class C shares***

The Board proposes that the Annual General Meeting resolves to authorize the Board, during the period until the Annual General Meeting 2019, to repurchase Class C shares. The repurchase may only be effected through a public offer directed to all holders of Class C shares and shall comprise all outstanding Class C shares. The purchase may be effected at a purchase price corresponding to the ratio value of the shares. Payment for the Class C

shares shall be made in cash. The purpose of the repurchase is to ensure delivery of class B shares to participants under the Program.

***D. Resolution on the transfer of own Class B shares***

The Board proposes that the Annual General Meeting resolves that Class C shares that the Company purchases by the virtue of the authorization to repurchase its own Class C shares in accordance with item C above, following the reclassification into Class B shares, may be transferred to participants in the Program as well as participants in other outstanding equity-related incentive programs in accordance with the approved terms. The Board further proposes that the Annual General Meeting resolves that a maximum of 1,000,000 Class B shares may be transferred to participants in accordance with the terms of the Program. These shares can either be Class B treasury shares held by the Company or Class B shares held by the Company after reclassification from Class C shares.

A decision to transfer the Company's own class B shares may be taken on the following conditions:

- a) Transfer may only be made of class B Acando shares, whereby 1,000,000 class B shares may be transferred without consideration to the participants in the Program.
- b) The right to obtain class B shares without consideration shall lie with persons within the Acando Group who are participants in the Program. Furthermore, subsidiaries shall be entitled to acquire class B shares without consideration, upon which such companies shall be obliged, in accordance with the conditions of the Program, immediately to transfer the shares to persons within the Acando Group who participate in the Program.
- c) Transfers of class B shares shall be made without consideration on the date and on the other conditions on which participants in the Program are entitled to acquire shares, i.e. within a period of 30 trading days counted as of the day after the Company publishes the interim report for the second quarter of 2021.
- d) The number of class B shares that may be transferred within the framework of the Program may be subject to recalculation as a result of an intervening bonus issue, split, rights issue and/or similar events.

***E. Equity swap agreement with a third party***

The board of directors proposes that the Annual General Meeting, should the necessary majority not be obtained for item B.-D. above, resolve to hedge the financial exposure to which the Program is expected to give rise by the Company entering into a share swap agreement with a third party, whereby the third party in its own name on Nasdaq Stockholm shall acquire and transfer shares in the Company for employees who are participants in the Program.

**Majority requirements**

The resolution adopted by the shareholders' meeting regarding the implementation of the Program according to item A above shall require a majority of more than half of the votes cast

at the meeting. A valid resolution under item B and C above shall require that shareholders representing not less than 2/3 of the votes cast as well as the shares represented at the meeting approve the resolution and for D above shall require that shareholders representing not less than nine-tenths of the votes cast as well as the shares represented at the meeting approve the resolution. Item E above shall require a majority of more than half of the votes cast at the meeting.

### **The board of directors' explanatory statement**

The board of directors wishes to increase the ability of the Company to recruit and retain key employees. Moreover, an individual long-term ownership commitment among the participants in the Program is expected to stimulate greater interest in the Company's business operations and results, improve motivation, and increase the feeling of affinity within the Company. The board of directors believes that the implementation of an incentive program as above will benefit the Company and its shareholders. The program will provide a competitive and motivation-improving incentive for senior executives and other key employees within the Group.

The Program has been designed to reward the participants for increased shareholder value by allotting class B shares, based on the fulfilment of conditions in respect of results and operations. Allotments shall also require a private investment by each respective participant through the acquisition of class B shares by them at market price. By linking the employees' remuneration to an improvement in the Company's results and value, the long-term value growth of the Company is rewarded. Based on these circumstances, the board of directors considers that the implementation of the Program will have a positive effect on the Acando Group's continued development, and will thus be beneficial to the shareholders and the Company.

The transfer of acquired class B shares in accordance with item D above, forms part of the implementation of the proposed Program.

In the light of what has been set out above, the board of directors believes that it will be beneficial to the Company and its shareholders for participants in the Program to be encouraged to become shareholders in the Company.

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The board of directors or the person appointed by the board of directors are authorized to make any minor adjustments to the above resolutions that may be necessary in connection with the registration with the Swedish Companies Registration Office and Euroclear Sweden AB respectively.

Stockholm, March 2018

The Board of Directors Acando AB (publ)

## **Summary of incentive programs**

An incentive program with a similar structure to the program proposed above by the board of directors was approved by the Annual General Meeting held on 4 May 2015 ("2015 program"). The 2015 program involved 1,300,000 class B shares. The maximum outcome in the program is preliminary 426,689 shares and Acando holds all these shares with the aim of transferring them without consideration to the participants in the 2015 year program during the period of 30 trading days from the day after that on which the Company publishes its interim report for the period April-June 2018. The 2015 program was subscribed by 42 senior executives.

An incentive program with a similar structure to the program proposed above by the board of directors was approved by the Annual General Meeting held on 28 April 2016 ("2016 program"). The 2016 program involved 1,300,000 class B shares. The maximum outcome in the program is preliminary 764,330 shares and Acando holds 736,179 of these shares with the aim of transferring them without consideration to the participants in the 2016 year program during the period of 30 trading days from the day after that on which the Company publishes its interim report for the period April-June 2019. Remaining shares intends to be acquired according to previous Annual General Meeting decision. The 2016 program was subscribed by 50 senior executives.

An incentive program with a similar structure to the program proposed above by the board of directors was approved by the Annual General Meeting held on 4 May 2017 ("2017 program"). The 2017 program involved 900,000 class B shares. The maximum outcome in the program is preliminary 698,686 shares and Acando intends to issue shares in accordance with the resolution of the AGM with the aim of transferring them without consideration to the participants in the 2017 year program during the period of 30 trading days from the day after that on which the Company publishes its interim report for the period April-June 2020. The 2017 program was subscribed by 45 senior executives.