

# Remuneration Report

## Introduction

This report provides an outline of how AFRY AB's ("AFRY" or the "Company") guidelines for executive remuneration (the "Remuneration Guidelines"), adopted by the Annual General Meeting 2022, have been implemented in 2022. Further, the report provides details on the remuneration to AFRY's CEO and a summary of AFRY's outstanding long-term incentive programmes. The report has been prepared in compliance with the Swedish Companies Act and the Remuneration Rules issued by the Swedish Stock Market Self-Regulation Committee.

## Key developments 2022

The CEO summarizes the Company's performance in his statement on page 5 in the Annual Report 2022.

A prerequisite for a successful implementation of the Company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the Company can recruit and retain qualified personnel. To this end, the Company must offer competitive remuneration. The Company's Remuneration Guidelines enable the Company to offer executives a competitive total remuneration. Under the Remuneration Guidelines, executive remuneration shall be on market terms and may consist of the following components: fixed cash salary, variable cash remuneration (STI and LTI included), pension benefits and other customary benefits. The variable cash remuneration must mainly be tied to financial criteria. The criteria must be designed to contribute to the Company's business strategy and long-term interests.

The Remuneration Committee monitors and evaluates programmes for remuneration to the CEO, both ongoing programmes and programmes ended during the year, and the actual and expected outcome of such programmes has been reported to the Board of Directors and discussed at board meetings.

Based on the Remuneration Committee's evaluation of the CEO's remuneration, the Board of Directors has determined that the current remuneration structure and level of remuneration are appropriate within the relevant markets, remain competitive and promote AFRY's business strategy, long-term interests and sustainability. During 2022, a new performance-based long-term cash programme was implemented. The programme was a result of a review carried-out by the Remuneration Committee during 2021, which concluded that the Company shall offer a long-term, performance based, incentive programme as a part of the employees total remuneration. The new performance-based long-term cash programme proposed for 2023 has the same structure, and performance measures, as the programme for 2022. For more information about the long term cash based incentive programme, see the section "*The performance-based long-term cash programmes for 2022 and 2023*" below, and under item 15 in the notice to the Annual General Meeting (the notice is available on AFRY's website, [www.afry.com/en](http://www.afry.com/en)).

Further, both the Remuneration Committee's evaluation and the Auditor's review have concluded that AFRY has complied with applicable Remuneration Guidelines, and that no derogations or deviations have been made during 2022. The Auditor's report regarding AFRY's compliance with the Remuneration Guidelines is available on [www.afry.com/en](http://www.afry.com/en).

Based on the conclusions drawn from monitoring and evaluating the programmes for variable remuneration, how the Remuneration Guidelines have been applied, as well as the evaluation of the current remuneration structures and levels of remuneration in AFRY, the Remuneration Committee and the Board of Directors have concluded that no changes will be made in the Remuneration Guidelines adopted during 2022.

The proposed Remuneration Guidelines for executive remuneration are available in note 6 in the Annual Report 2022.

## Remuneration to the CEO during 2022

The table below sets out the total remuneration during 2022 to AFRY's CEO<sup>1)</sup>.

Fixed remuneration		Variable remuneration		Extraordinary items	Pension expense	Total remuneration	Proportion of fixed and variable remuneration
Base salary <sup>2)</sup>	Other benefits <sup>3)</sup>	One-year variable	Three-year variable				
10.21 SEK m	0.11 SEK m	5.2 SEK m	0.7 SEK m		4.1 SEK m	20.32 SEK m	Fixed: 57% Variable: 43%
Annual fixed is reference	<=10%	<=60%	<=80%	<=50%	<=40%		

1) With the exception of 3-year variable remuneration, the table shows remuneration earned during 2022. 3-year variable remuneration is reported to the extent it has been subject of so-called vesting 2022. For earned variable remuneration, see the section "*Application of performance criteria*" below.

2) Vacation pay included.

3) Company car included.

## Application of performance criteria

The performance criteria for the CEO's variable remuneration have been determined to realize the Company's strategy and to encourage behavior in the long-term interest of the Company. The performance criteria have been selected considering the strategic objectives and short- and long-term business priorities for 2022. The variable remunerations which are expensed 2022 are presented below as well as in note 6 in the Annual Report.

## Performance of the CEO during the reported financial year: variable cash remuneration<sup>4)</sup>

Variable programme	Description of the criteria related to the remuneration component	Relative weighting of the performance criteria	a) b)	Measured performance and actual award / remuneration outcome
STI 2022	EBITA 2022	20%	a) b)	1,886 SEK m 1.12 SEK m / 91.5% in outcome
	EBITA margin	15%	a) b)	8.0% 0.51 SEK m / 55.6% in outcome
	Growth 2021	35%	a) b)	8.1% 2.66 SEK m / 150.0% <sup>5)</sup> in outcome
	Individual targets	30%	a) b)	66.67% 1.22 SEK m / 90.0% in outcome
LTI 2020-2022	average EBITA margin 2020-2022	50%	a) b)	8.40% 0.45 SEK m / 18.3% in outcome
	average Growth 2020-2022	50%	a) b)	4.06% 0.00 SEK m / 0.00% in outcome
LTI 2021-2023	average EBITA margin 2021-2023	50%	a) b)	Performance 2021-2023 <sup>6)</sup> Outcome 2021-2023 <sup>6)</sup>
	average Growth 2021-2023	50%	a) b)	Performance 2021-2023 <sup>6)</sup> Outcome 2021-2023 <sup>6)</sup>
LTI 2022-2024	total Growth 2022-2024	50%	a) b)	Performance 2022-2024 <sup>6)</sup> Outcome 2022-2024 <sup>6)</sup>
	EBITA margin 2022-2024	50%	a) b)	Performance 2022-2024 <sup>6)</sup> Outcome 2022-2024 <sup>6)</sup>
CEO LTI 2021-2024	Share price development Q1 2021 – Q1 2024	100%	a) b)	Performance Q1 2021-Q1 2024 <sup>7)</sup> Outcome Q1 2021- Q1 2024 <sup>7)</sup>

4) Table showing performance targets, weight and outcome for the CEO's variable cash components.

5) Maximum outcome for all financial targets is 70% of total STI.

6) LTI 2021-2023 and LTI 2022-2024 have not yet vested (occurs 2024 and 2025, respectively).

7) CEO LTI 2021-2024, have not yet vested (occurs 2024).

## Outstanding share-related and share-price-related incentive programmes<sup>8)</sup>

### Convertible bond programmes 2018-2020

The Company had during 2022 three ongoing convertible bond programmes (2018, 2019 and 2020), whereof the 2018 programme ended 15 March 2022. Following the review of the Company's share and share-price-related incentive programmes conducted 2021, it was resolved not to present any new convertible bond programmes from 2021. In brief, the convertible bond programmes 2018-2020 are based on that a convertible bond may be converted into a number of shares, following expiration of a three-year vesting period (performance period) given the share price has risen above a pre-defined threshold, otherwise the convertible bond shall be repaid. The purpose of these programmes are to motivate and retain the participating employees by providing long-term incentives tied to the Company's share price that are paid out in AFRY shares to encourage the build-up of significant shareholding.

As the structure of the convertible bond programme is based on the participant granting the Company a loan, such programme has limited retention effect. More details on how the convertible bond programme is designed can be found on [www.afry.com/en](http://www.afry.com/en) and on page 75 in the Annual Report 2022.

Convertible bond programme	Conversion price/programme	Participating/Investment level CEO	Conversion period
Convertible bond 2020	212.20 SEK	No/0 SEK	Start date June 15 2023 – end date March 15 2024
Convertible bond 2019	232.10 SEK	Yes/6 SEK m	Start date June 15 2022 - end date March 15 2023
Convertible bond 2018	198.60 SEK	Yes/3 SEK m	Start date June 15 2021 - end date March 15 2022

8) Table showing the existing convertible bond programmes and the CEO's participation.

## CEO's long-term share-price-related cash incentive programme

According to the terms and conditions specified in the Remuneration Guidelines resolved on the Annual General Meeting 2021, the CEO is participating in a new long-term share-price-related cash programme based on the share price development during the period April 2021 – March 2024 (inclusive). For the threshold value for allotment, the share price development has been determined to exceed 0 percent as a minimum level, and amount to 30 percent as a maximum level. Payment shall be made on a linear basis between the minimum level and the maximum level. If the maximum level is reached, and the CEO is still employed by AFRY, he is entitled to a payment of 7.5 SEK m (gross, before tax).

## Performance-based long-term cash programmes for 2022 and 2023

Based on the conclusions from evaluating the share and share price-related incentive programmes, where, among other things, uptake and retention of key employees as well as the outcome of the programmes were important components, the Board of Directors has resolved to propose the same performance-based long-term cash programme, with the same performance measures, for 2023 as for 2022. The programme comprises a maximum of 125 participants and is targeted for the CEO, the Group Executive Management, employees at director level and above who are reporting directly to the Group Executive Management, and a few nominations of key personnel and employees in key positions. The new programme is designed for more employees to participate and for the programme to better fulfill its purpose, i.e., create conditions for retaining key personnel, be an attractive incentive for participants, be easy to understand and easily accessible to participants and align participants' and shareholders' interests.

The proposed performance-based long-term cash programme 2023 is described under item 15 in the notice to the Annual General Meeting (the notice is available on AFRY's website, [www.afry.com/en](http://www.afry.com/en)).

## Comparative information on the change of remuneration and Company performance

Annual change	2020 vs 2019	2021 vs 2020	2022 vs 2021	2022
<b>REMUNERATION TO THE GROUP EXECUTIVE MANAGEMENT<sup>9)</sup></b>				
<b>Annual fixed base salary CEO</b>	9.66 SEK m vs 9.15 SEK m (+5.6%)	9.91 SEK m vs 9.66 SEK m (+2.6%)	10.21 SEK m vs 9.91 SEK m (+3.0%)	10.21 SEK m
<b>THE COMPANY'S PERFORMANCE<sup>10)</sup></b>				
<b>The Company's result EBITA</b>	1,635 SEK m vs 1,731 SEK m (-5.5%)	1,712 SEK m vs 1,635 SEK m (+4.7%)	1,886 SEK m vs 1,712 SEK m (+10.2%)	1,886 SEK m
<b>The Company's result EBITA margin</b>	8.6% vs 8.7% (-0.1%-units)	8.5% vs 8.6% (-0.1%-units)	8.0% vs 8.5% (-0.5%-units)	8.0%
<b>The Company's result organic growth</b>	-7.1% vs 5.3% (-12.4%-units)	5.3% vs -7.1% (+12.4%-units)	8.1% vs 5.3% (+2.8%-units)	8.1%
<b>AVERAGE REMUNERATION ON FULL TIME BASIS FOR EMPLOYEES<sup>11)</sup></b>				
<b>Employees in the Company</b>	0.54 SEK m vs 0.52 SEK m (+2.1%)	0.55 SEK m vs 0.54 SEK m (+1.8%)	0.58 SEK m vs 0.55 SEK m (+5.5%)	0.58 SEK m

9) Remuneration includes fixed remuneration, i.e., base salary, holiday pay included.

10) Adjusted for items affecting comparability. For a definition of the performance criteria, please see the Annual and sustainability report 2022, mainly section "Alternative performance measures".

11) CEO remuneration excluded. Remuneration includes fixed remuneration i.e., base salary, holiday pay included.

## Further information is available in the Annual Report 2022 and on AFRY's website

AFRY's Remuneration Guidelines adopted by the 2022 Annual General Meeting and the auditor's report regarding whether AFRY has complied with the guidelines are available on AFRY's website [www.afry.com/en](http://www.afry.com/en).

Further information regarding AFRY's remunerations during 2022 which is not covered by this report is available in the Annual Report 2022, in the following sections:

page 40	The Remuneration Committee's work during 2022.
note 6 on pages 72-75	Such information required by Chapter 5, Sections 40-44 of the Swedish Annual Accounts Act (1995:1554), including detailed information regarding remuneration to other senior executives covered by the Remuneration Guidelines adopted at the Annual General Meeting 2022 and information regarding AFRY's share and share-related incentive programme.
note 6 on page 73	Remuneration to the Board of Directors.