

## Remuneration report 2021

### Introduction

This report describes how the guidelines for executive remuneration of Ratos AB, adopted by the 2021 Annual General Meeting, were implemented in 2021. The report also provides information on remuneration to the CEO and a summary of the company's outstanding share-related and share price-related incentive programmes. The report has been prepared in accordance with the Swedish Companies Act and the *Rules on Remuneration of the Board and Executive Management and on Incentive Programmes* (the "Remuneration Rules") issued by the Swedish Corporate Governance Board.

Further information on executive remuneration is available in Note 7 Employees, personnel costs and remuneration to senior executives and boards on pages 78-82 of the 2021 Annual Report. Information on the work of the compensation committee in 2021 is set out in the Corporate Governance Report available on pages 45-51 of the 2021 Annual Report.

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 7 on page 79 of the 2021 Annual Report.

### Key developments 2021

The CEO summarises the company's overall performance in his statement on pages 6-7 of the 2021 Annual Report.

### The company's remuneration guidelines: scope, purpose and deviations

A prerequisite for the 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 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, pension benefits and other benefits. The variable cash remuneration shall be linked to predetermined and measurable financial or non-financial criteria. They may be individualised, quantitative or qualitative objectives. The criteria shall be designed to contribute to the company's business strategy and long-term interests, including its sustainability, by for example being clearly linked to the business strategy or promote the executive's long-term development.

The guidelines are found on pages 42-43 of the 2021 Annual Report. During 2021, the company complied with the applicable remuneration guidelines adopted by the general meeting. No deviations have been made from the guidelines and no deviations have been made from the decision-making process that, according to the guidelines, is to be applied when determining remuneration. The auditor's report regarding the company's compliance with the guidelines is available on <https://www.ratos.com/en/governance/>. No remuneration has been reclaimed. In addition to remuneration covered by the remuneration guidelines, the Annual General Meetings of the company have resolved to implement long-term share-related incentive programmes.

**Table I – Total CEO remuneration in 2021 (kSEK)**

Senior executive's name (position)	Fixed remuneration		Variable remuneration			Variable remuneration	Proportion of fixed and variable remuneration %
	Basic salary <sup>1)</sup>	Other benefits <sup>2)</sup>	One-year <sup>3)</sup>	Multi-year <sup>4)</sup>	Pension expense <sup>5)</sup>		
Jonas Wiström (CEO)	8,862	123	8,439	2,272	2,610	22,306	52/48

<sup>1)</sup> Basic salary including holiday pay of kSEK 162.

<sup>2)</sup> Refers to company car and healthcare.

<sup>3)</sup> One-year variable remuneration refers to a bonus of kSEK 8,373 attributable to 2021. 50% to be paid in 2022 and 50% in 2023. However, up to 100% of the variable cash remuneration for 2021 may be paid to the CEO already in 2022, provided that the entire portion of the variable cash remuneration received that exceeds 50% is invested by the CEO in instruments in Ratos's long-term incentive programme 2022.

<sup>4)</sup> Multi-year variable remuneration refers to securities benefits (kSEK 1,515) and subsidies (757 kSEK) regarding warrants in Ratos's long-term incentive programme 2021.

<sup>5)</sup> Refers to defined contribution pension and has been reported in full as fixed remuneration.

### Share-based remuneration

#### **Outstanding share-related and share price-related incentive programmes**

##### *Convertible and warrant programmes*

The 2018, 2019, 2020 and 2021 Annual General Meetings voted to introduce four long-term incentive programmes for the CEO and other key personnel in Ratos (LTI2018, LTI2019, LTI2020 and LTI2021) consisting of convertibles and warrants (referred to below as the "Instruments"), where participants in the programme were free to decide how large a share of the Instruments offered should comprise convertibles and/or warrants, except for LTI2021, where participants were free to decide how large a share of the Instruments offered should comprise convertibles but the share of warrants could comprise a maximum of 50% of the Instruments offered. The aforementioned convertible programmes extend for no more than four years and can be exercised after approximately three years at the earliest. The aforementioned warrant programmes extend for no more three and a half to five years and can be exercised after approximately three to three and a half years at the earliest. The participants have received warrants free of charge, which means they have received a benefit corresponding to the market value of the warrants on the allotment date, calculated according to the Black & Scholes model. One prerequisite for the allotment of warrants is that the participant has signed an agreement regarding repurchases, etc. with the company whereby the company or purchaser designated by the company has the right to repurchase warrants if the participant's employment is terminated (at the lower of market price and purchase price if employment is terminated within approximately 18 months from the allotment, and at market price if employment is terminated after about 18 months from the allotment).

Under LTI2021, Ratos subsidised part of the cost, meaning that the net cost of the warrants for participants in the programme amounted to about 25% of the taxable benefit, from the first acquired warrant. The subsidy is received in connection with the allotment.

Ratos has issued and allotted a total of 4,286,968 Instruments to the participants which are still outstanding as of 31 December 2021, distributed as follows: 2,713,504 convertibles and 1,573,464 warrants. The CEO has been allotted a total of 350,000 warrants and 450,000 convertibles, which are still outstanding. Ratos's convertible debentures amounted to a nominal amount of just over SEK 78m as of 31 December 2021. The increase in the company's share capital may, in the event of full exercise of the Instruments, amount to no more than SEK 13,503,949.20 (assuming the current quota value and that no recalculation takes place in accordance with the terms and conditions), which, as of 31 December 2021, corresponded to dilution of approximately 1.32% of the shares in Ratos, based on the number of shares outstanding.

It was noted that the exercise period for the convertibles under LTI2018 began during the year, that a total of 597,924 convertibles were converted to shares during the year, that a total of 126,604 convertibles are still outstanding, and that the maturity date for the program is 30 June 2022. It was further noted that the exercise period had not started for any of the aforementioned warrant programmes.

### Call option programmes

The 2017 Annual General Meeting voted to introduce a call option programmes for the CEO and other key personnel in Ratos (KO2017).

The call option programmes extend for no more than five years and can be exercised after approximately three and a half years at the earliest. The participants have paid a market premium for the call options in the programmes. The acquisition of call options will be subsidised by the purchaser receiving an extra cash remuneration corresponding to a maximum of 50% of the option premium after deduction for 55% standard tax, whereby the remuneration will be divided into equal components over five years, normally provided the person concerned is still working for the Ratos Group and still holds options acquired from Ratos or shares acquired through the options. The call options are issued on treasury shares.

It was noted that the call option programme resolved on by the 2016 Annual General Meeting for the CEO and other key personnel in Ratos (KO2016) expired during the year and all holders have exercised their total 453,000 options (corresponding to 453,000 shares). The CEO has not been allotted any call options in KO 2016. The main conditions for KO 2016 essentially correspond with the conditions for KO2017.

It was further noted that the exercise period for KO 2017 began during the year, that a certain number of holders exercised a total of 180,000 options (corresponding to 180,000 shares) during the year, that a total of 62,500 options are still outstanding and that the maturity date for the programme is 18 March 2022. The increase in the company's share capital, in the form of an increase in the proportion of shares outstanding, may, in the event of full exercise of the outstanding options, amount to no more than SEK 196,875 (assuming the current quota value and that no recalculation takes place in accordance with the terms and conditions), which, as of 31 December 2021, corresponded to dilution of approximately 0.02% of the shares in Ratos, based on the number of shares outstanding. The CEO has not been allotted any call options in KO 2017.

### Synthetic options

The Annual General Meetings from 2013 to 2017 resolved on cash-settlement option programmes related to Ratos's outstanding investments in portfolio companies. These programmes are carried out through the issue of synthetic options that have been transferred at market price. These programmes give key personnel in Ratos an opportunity to share in the portfolio companies' growth in value. These options gain value only when Ratos's average annual return exceeds a certain percentage (which varies between 8 and 15%). The purchase of options is subsidised by the option purchaser receiving extra cash remuneration corresponding to a maximum of 50% of the option premium, whereby the remuneration will be divided into equal components over four years, normally provided the person concerned is still working for the Ratos Group and still holds options acquired from Ratos. The CEO has not been allotted any synthetic options.

It was noted that the cash-settlement option programme related to Ratos's investment in Kvdbil expired on 14 February 2021, which meant that the holders were entitled to exercise their options. The exercise of the options did not result in any payments from Ratos to the option holders.

**Table 2 – Warrant programmes (CEO)**

Name of the holder  (position)	The main conditions for the warrant programmes							Information regarding the reported financial year <sup>a</sup>						
	1 Name of programme	2 <sup>***</sup> Performance period	3 Allotment date	4 <sup>**</sup> Vesting date	5 End of retention period	6 Exercise period	7 Exercise price (subscription price) (SEK)	Opening		During the year		Closing balance		13 Warrants subject to retention period
								8 Warrants held at beginning of year	9 Warrants allotted	10 <sup>**</sup> Warrants vested	11 <sup>***</sup> Warrants subject to performance condition	12 <sup>**</sup> Warrants allotted and unvested		
Jonas Wiström (CEO)	LTI2018	N/A	28 May 2018	1 Dec 2019	N/A	8 Dec 2021	33.43	100,000	0	0	N/A	0	N/A	
	LTI2019	N/A	3 Jun 2019	1 Dec 2020	N/A	14 Dec 2022 14 Jun 2024	30.87	100,000	0	0	N/A	0	N/A	
	LTI2021	N/A	29 Mar 2021	1 Oct 2022	N/A	30 Apr 2024 29 Nov 2024	46.95	0	150,000 <sup>**</sup>	0	N/A	150,000	N/A	

<b>Total</b>	<b>200,000</b>	<b>150,000</b>	<b>0</b>	<b>N/A</b>	<b>150,000</b>	<b>N/A</b>
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\* In 2021, there were no changes to the LTI2018 or LTI2019 warrant programmes, in which the CEO holds 100,000 warrants in each programme. In 2020, the CEO was not allotted any warrants under LTI2020, but rather only convertibles (for more information, refer to Table 3 below) In 2021, the CEO was allotted 150,000 warrants under LTI2021.

\*\*One prerequisite for the allotment of warrants in all warrant programmes is that participants have signed an agreement regarding repurchases, etc. with the company whereby the company has the right to repurchase warrants if the participant's employment is terminated (at the lower of market price and purchase price if employment is terminated within approximately 18 months from the allotment and at market price if employment is terminated after about 18 months from the allotment). The warrants are therefore specified as vested after about 18 months from the allotment.

\*\*\* Warrants are not covered by any performance conditions.

**Table 3 – Convertible programmes (CEO)**

Name of the holder  (position)	The main conditions for the convertible programmes							Information regarding the reported financial year*						
	1 Name of programme	2** Performance period	3 Allotment date	4** Vesting date	5 End of retention period	6 Exercise period	7 Exercise price (subscription price) (SEK)	Opening		During the year		Closing balance		13 Convertibles subject to retention period
								8 Convertibles held at beginning of year	9 Convertibles allotted	10** Convertibles vested	11** Convertibles subject to performance condition	12** Convertibles allotted and unvested		
Jonas Wiström (CEO)	LTI2019	N/A	3 Jun 2019	3 Jun 2019	N/A	7 Jun 2022 7 Jun 2023	27.25	150,000	0	0	N/A	N/A	N/A	N/A
	LTI2020	N/A	22 May 2020	22 May 2020	N/A	30 Apr 2023 30 Apr 2024	22.65	150,000	0	0	N/A	N/A	N/A	N/A
	LTI2021		29 Mar 2021	29 Mar 2021	N/A	30 Apr 2024 31 May 2025	47.50	0	150,000	150,000	N/A	N/A	N/A	N/A
<b>Total</b>								<b>300,000</b>	<b>150,000</b>	<b>150,000</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

\* In 2021, there were changes to the LTI2018 convertible programme, in which the CEO converted his 100,000 convertibles to shares. In 2021, there were no changes to the LTI2019 and LTI2020 convertible programmes, in which the CEO holds 150,000 convertibles in each programme. In 2021, the CEO was allotted 150,000 convertibles under LTI2021.

\*\* Convertibles are not covered by any performance conditions or limitations on disposal. The warrants are therefore specified as vested in connection with allotment.

### Application of performance criteria

The performance criteria for the CEO's variable remuneration have been selected to deliver on the company's strategy and to encourage behaviour that is in the long-term interests of the company. In the selection of performance criteria, the strategic objectives and short-term and long-term business priorities for 2021 have been taken into account.

**Table 4 – Performance of the CEO in the reported financial year: variable cash remuneration**

Table 4 – Performance of the CEO in the reported financial year: variable cash remuneration

Senior executive's name (position)	1 Description of the criteria related to the remuneration component	2 Relative weighting of the performance criteria	3
			a) Measured performance and b) actual award/remuneration outcome
Jonas Wiström (CEO)	EBITA growth in the company portfolio in 2021	65%	a) 95% b) kSEK 5,394
	Growth in Profit before tax (EBT) for the Ratos Group 2021	35%	a) 100% b) kSEK 3,045

Comparative information on changes in remuneration and company performance

**Table 5 – Changes in remuneration and company performance over the last five reported financial years (RFY) (kSEK)**

Since this is Ratos's second remuneration report, the information in the table below pertains only to the 2020 and 2021 financial years.

	RFY 2020	RFY 2021 vs RFY 2020	<b>RFY 2021</b>
Remuneration to the CEO	18,402	+3,904 (+21.0%)	<b>22,306</b>
Consolidated operating profit <sup>1)</sup>	1,456,688	+198,986 (+13.7%)	<b>1,655,674</b>
Average remuneration based on the number of full-time employees <sup>2)</sup> in the parent company	1,837	+170 (+9.3%)	<b>2,007</b>

<sup>1)</sup> Consolidated operating profit pertains to continuing operations, meaning excluding Bisnode, which was reported as a discontinued operation during 2020 and 2021.

<sup>2)</sup> Excluding members of Group management. However, remuneration to a previous member of Group management is included, in the aforementioned figure, for most of 2021. The remuneration comprises basic salary, other benefits, variable remuneration and pension expense, which is the same as the components included in the CEO's remuneration (Table 1). Total remuneration has been divided by the number of full-time employees in the parent company, excluding members of Group management, to obtain average remuneration.