

Remuneration report 2020

Introduction

This report describes how the guidelines for executive remuneration of AAK AB (publ), adopted by the annual general meeting 2020, were implemented in 2020. 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 plans. The report has been prepared in accordance with the Swedish Companies Act and the Remuneration Rules issued by the Swedish Corporate Governance Board.

Further information on executive remuneration is available in note 8 (Remuneration of the Board of Directors and senior executives) on pages 87-88 in the annual report 2020. Information on the work of the remuneration committee in 2020 is set out in the corporate governance report available on pages 114-122 in the annual report 2020.

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 8 on pages 87-88 in the annual report 2020.

Key developments 2020

The CEO summarizes the company's overall performance in his statement on pages 6-7 in the annual report 2020.

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 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, pension benefits and other benefits. The variable cash remuneration shall be linked to financial or non-financial criteria. They may be individualized, 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 87-88 and 117-118 in the annual report 2020. During 2020, the company has complied with the applicable remuneration guidelines adopted by the general meeting. No deviations from the guidelines have been decided and no derogations from the procedure for implementation of the guidelines have been made. The auditor's report regarding the company's compliance with the guidelines is available on www.aak.com/corporategovernance. No remuneration has been reclaimed. In addition to remuneration covered by the remuneration guidelines, the annual general meeting of the company has resolved to implement a long-term share-related incentive plan (Warrants Program 2017/2022:2).

Table 1 – Total CEO remuneration in 2020 (kSEK)*

Name of director (position)	1 Fixed remuneration		2 Variable remuneration		3 Extraordinary items	4 Pension expense	5 Total remuneration	6 Proportion of fixed and variable remuneration****
	Base salary**	Other benefits***	One-year variable	Multi-year variable				
Johan Westman (President and CEO)	8,832	201	2,984	0	0	3,076	15,093	80/20

* Except for Multi-year variable remuneration, the table reports remuneration earned in 2020. Multi-year variable remuneration is reported if vested in 2020, as set out in column 9 of Table 2 below (as applicable). Disbursement of any payments may or may not have been made the same year.

** Including holiday pay of kSEK 155

*** Company car and housing benefit

**** Pension expense (column 4), which in its entirety relates to Base salary and is premium defined, has been counted entirely as fixed remuneration

Share-based remuneration

Outstanding share-related and share price-related incentive plans

The company has implemented a subscription warrants program (Warrants Program 2017/2022:2) for the executive management and other key employees. The warrants have been granted at market price and entitles the warrants holder to subscribe for shares in the company at a price of SEK 140.18 per share. Each subscription warrant entitles the warrants holder to subscribe for six shares in the company. The warrants can be utilised during the period 1 September 2020 up to and including 31 August 2022. In total, 972,380 warrants have been granted, which corresponds to 2% of the shares in the company on a diluted basis.

The CEO has been granted 105,000 warrants in the program, of which 6,000 warrants have been exercised for subscription of in total 36,000 shares in the company and 49,000 warrants have been transferred within a cashless exercise procedure during 2020.

Table 2 – Share option plan/subscription warrants program (CEO)

Name of director (position)	The main conditions of the subscription warrants program						Information regarding the reported financial year*					
	1 Name of plan	2 Performance period	3 Award date	4 Vesting date	5 Exercise period	6 Exercise price (SEK)	7 Opening balance Warrants held at beginning of year	8 During the year		9 Closing balance		12 Warrants subject to retention period
							8 Warrants awarded	9 Warrants vested	10 Warrants subject to performance condition	11 Warrants awarded and unvested		
Johan Westman (President and CEO)	2017/2022	2017-2020	2017-12-01	2020-08-31	2020-09-01 2022-08-31	140.18*	105,000	0	55,000	0	50,000	0
Total							105,000	0	55,000	0	50,000	0

* After the share split carried out 2018, each warrant entitles to six shares.

Application of performance criteria

The performance measures for the CEO's variable remuneration have been selected to deliver the company's strategy and to encourage behaviour which is in the long-term interest of the company. In the selection of performance measures, the strategic objectives and short-term and long-term business priorities for 2020 have been taken into account. The non-financial performance measures further contribute to alignment with sustainability as well as the company values.

Table 3 - Performance of the CEO in the reported financial year: variable cash remuneration

Name of director (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
Johan Westman (President and CEO)	Net result	80%	a) MSEK 1,581 b) kSEK 1,550
	Return on capital employed	20%	a) 14.3% b) kSEK 1,434

Comparative information on the change of remuneration and company performance

Table 4 – Change of remuneration and company performance (RFY) (kSEK)

	2020 vs 2019	RFY 2020
CEO remuneration	-3,565(-19.1%)	15,093
Group operating profit	+25,000(+1.2%)	2,167,000
Average remuneration on a full time equivalent basis of employees* of the parent company	-38(-3.7%)	1,001

* Excluding members of the group executive management