

Remuneration report 2021

Introduction

This report describes how the guidelines for executive remuneration of AAK AB (publ), adopted by the annual general meeting 2021, 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 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 84-85 in the annual report 2021. Information on the work of the remuneration committee in 2021 is set out in the corporate governance report available on pages 112-120 in the annual report 2021.

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 84-85 in the annual report 2021.

Key developments 2021

The CEO summarizes the company's overall performance in his statement on pages 6-7 in the annual report 2021.

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 84-85 and 115-116 in the annual report 2021. During 2021, 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 the company's website www.aak.com/corporategovernance. 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 plans.

Table 1 – Total CEO remuneration in 2021 (kSEK)*

Name of director (position)	1		2		3	4	5	6
	Fixed remuneration Base salary**	Other benefits***	Variable remuneration One-year variable	Multi-year variable				
Johan Westman (President and CEO)	9,272	172	9,302	-	-	2,786	21,532	57/43

* Except for Multi-year variable remuneration, the table reports remuneration earned in 2021. Multi-year variable remuneration is reported if vested in 2021, 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 152.

*** 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 two subscription warrants programs (Warrants Program 2017/2022:2 and Incentive Program 2021/2026) for the executive management and other key employees. Warrants in Warrants Program 2017/2022:2 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 and 3,000 warrants have been exercised for subscription of in total 18,000 shares in the company and 47,000 warrants have been transferred within a cashless exercise procedure during 2021. No warrants have been subscribed for or transferred in Incentive Program 2021/2026.

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)	Opening balance	During the year		Closing balance		
							7 Warrants held at beginning of year	8 Warrants awarded	9 Warrants vested	10 Warrants subject to performance condition	11 Warrants awarded and unvested	12 Warrants subject to retention period
Johan Westman (President and CEO)	2017/2022	2017-2020	2017-12-01	2020-08-31	2020-09-01 2022-08-31	140.18*	50,000	0	0	0	0	0
Total							50,000	0	0	0	0	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 2021 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 2021	64%	a) MSEK 1,733 b) kSEK 6,384
	Earnings per share 2021	36%	a) SEK 6.75 b) kSEK 2,918

Comparative information on the change of remuneration and company performance

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

	2020 vs 2019	2021 vs 2020	RFY 2021
CEO remuneration	-3,565(-19.1%)	+6,439 (+43%)	21,532
Group operating profit	+25,000(+1.2%)	+228,000 (+10.5%)	2,393,000
Average remuneration on a full time equivalent basis of employees* of the parent company	-94 (-8.2%)	+241 (+22.9%)	1,295

* Excluding members of the group executive management

Description of how opinions expressed when the general meeting addressed an earlier remuneration report have been taken into consideration

No comments in relation to an earlier remuneration report have been submitted.