

Remuneration report 2022

Introduction

This report describes how the guidelines for executive remuneration of AAK AB (publ), adopted by the annual general meeting 2022, were implemented in 2022. 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 (now managed by The Stock Market Self-Regulation Committee (ASK)).

Further information on executive remuneration is available in note 8 (Remuneration of the Board of Directors and senior executives) on pages 86-87 in the annual report 2022. Information on the work of the remuneration committee in 2022 is set out in the corporate governance report available on pages 117-118 in the annual report 2022.

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 86-87 in the annual report 2022.

Key developments 2022

The CEO summarizes the company's overall performance in his statement on pages 8-9 in the annual report 2022.

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 86-87 and 117-118 in the annual report 2022. During 2022, the company has complied with the applicable remuneration guidelines adopted by the annual 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 2022 (kSEK)*

Name of director (position)	1 Fixed remuneration		2 Variable remuneration		3	4	5	6
	Base salary	Other benefits**	One-year variable***	Multi-year variable	Extraordinary items	Pension expense	Total remuneration	Proportion of fixed and variable remuneration****
Johan Westman (President and CEO)	10,500	148	15,064	-	-	3,159	28,871	48/52

* Except for Multi-year variable remuneration, the table reports remuneration earned in 2022. Multi-year variable remuneration is reported if vested in 2022, 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.

** Company car and housing benefit

*** Of the variable salary, 2,464 relates to bonus paid to subsidize part of the acquisition of subscription warrants in accordance with the terms and conditions in Incentive program 2022/2027

**** 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 three subscription warrants programs (Warrants Program 2017/2022:2, Incentive Program 2021/2026 and Incentive Program 2022/2027) for the executive management and other key employees. Warrants Program 2017/2022:2 was completed during 2022 and Incentive Program 2021/2026 has been replaced by Incentive Program 2022/2027, which is currently the only outstanding share-related incentive program in AAK.

Warrants in Warrants Program 2017/2022:2 have been granted at market price and entitled the warrants holder to subscribe for shares in the company at a price of SEK 140.18 per share. Each subscription warrant entitled the warrants holder to subscribe for six shares in the company. The warrants could be utilised during the period 1 September 2020 up to and including 31 August 2022, entailing that Warrants Program 2017/2022:2 was completed during 2022. In total, 972,380 warrants were granted in the program. The CEO was granted 105,000 warrants in the program, of which 6,000 warrants were exercised for subscription of in total 36,000 shares in the company and 49,000 warrants were transferred within a cashless exercise procedure during 2020 and 3,000 warrants were exercised for subscription of in total 18,000 shares in the company and 47,000 warrants were transferred within a cashless exercise procedure during 2021.

No warrants have been subscribed for or transferred in Incentive Program 2021/2026 and the program was replaced by Incentive Program 2022/2027 in accordance with the resolution by the Annual General Meeting 2022.

Warrants in Incentive Program 2022/2027 have been granted at market price and each warrant entitles the warrants holder to subscribe for one share in the company at a price of SEK 195.85 per share. The warrants can be utilised during the period 1 September 2025 up to and including 31 August 2027. Part of the participants' acquisition of warrants is subsidized by AAK by means of a cash bonus that, after individual tax, corresponds to maximum 65 percent of the amount invested by the respective participant in Incentive Program 2022/2027 (up to the offered level). The bonus will be paid out with one fourth (1/4) annually starting approximately one year after acquisition of the warrants, and with the last payment approximately four (4) years after the acquisition and requires that before each payment the respective participant, with certain exceptions, is still an employee of the AAK group and still holds the acquired warrants or, where applicable, the shares subscribed through exercising the warrants. In total, 3,946,050 warrants have been granted, which corresponds to 1.5 % of the shares in the company on a diluted basis. The CEO has been granted 500,000 warrants in the program.

Further information regarding the incentive programs is available in note 8 on pages 84-85 in the annual report 2022.

Table 2 – Share option plans/subscription warrants programs (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 Warrants awarded		9 Warrants vested	10 Closing balance 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*	0	0	0	0	0	0	0	0
Johan Westman (President and CEO)	2022/2027	2022-2025	2022-05-30	2025-08-31	2025-09-01 2027-08-31	195.85	0	500,000	0	0	0	500,000	0	0
Total							0	500,000	0	0	0	500,000	0	0

* After the share split carried out 2018, each warrant entitled 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 2022 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 2022	67%	a) MSEK 2,099 b) kSEK 8,400
	Earnings per share 2022	33%	a) SEK 8,07 b) kSEK 4,200

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	2022 vs 2021	RFY 2022
CEO remuneration	-3,565 (-19.1%)	+6,439 (+43%)	+7,339 (+34.1%)	28,871
Group operating profit	+25,000 (+1.2%)	+228,000 (+10.5%)	+495,000 (+20.7%)	2,888,000
Average remuneration on a full time equivalent basis of employees* of the parent company	-94 (-8.2%)	+241 (+22.9%)	+55 (+4.2%)	1,350

* 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.