

# Remuneration Report

## Introduction

This remuneration report provides an outline of how **ÅF Pöyry AB's ("AFRY")** guidelines for executive remuneration (the "**Remuneration Guidelines**"), adopted by the Annual General Meeting 2020, have been implemented in 2020. The report also provides details on the remuneration to AFRY's CEO and a summary of AFRY's outstanding long-term share and share-price related incentive programmes. The report has been prepared in compliance 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 6 on pages 68-71 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 6 on page 70 in the annual report 2020.

## Key developments 2020

The CEO summarizes AFRY's overarching performance during 2020 in his statement on page 3 in the annual report 2020.

## Overview of the purpose and application of the remuneration guidelines during 2020

The purpose of the Remuneration Guidelines is to provide a structure to ensure that remuneration to senior executives is in line with the company's long-term strategy. The Remuneration Guidelines provide an incentive to create an innovative and performance-oriented culture, thereby helping to achieve AFRY's goal of creating sustainable technology and design solutions for future generations. Under the Remuneration Guidelines, the total remuneration in AFRY comprise the following components: fixed salary, pension and other benefits as well as short and long-term cash incentive programmes. In addition, the Annual General Meetings of AFRY - independently of these guidelines – 2017-2020 decided on long-term convertible bond programmes. The Remuneration Guidelines can be found on page 68-69 in the annual report 2020, and on <https://afry.com/en/investor-relations/corporate-governance/remuneration> and for information on AFRY's business strategy, see [afry.com/en/about-us/objectives](https://afry.com/en/about-us/objectives).

The Remuneration Committee monitors and evaluates programmes for remuneration, both ongoing and those that have ended during the year, for the CEO, and the actual and expected outcome of such 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. Both the Remuneration Committee's evaluation and the

Auditor's review have also concluded that AFRY has complied with the applicable Remuneration Guidelines, and that no derogations or deviations have been made during 2020. The Auditor's report regarding the AFRY's compliance with the Remuneration Guidelines is available on [link].

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 the Remuneration Guidelines will be updated with information as well as the principal conditions for long term cash plans.

The proposed new guidelines for executive remuneration are included on page 40-41 in the annual report 2020 and under agenda item 12 in the notice to the upcoming 2021 Annual General Meeting.

## Total CEO remuneration in 2020

The table below sets out total remuneration earned during 2020 to AFRY's CEO<sup>1)</sup>.

Fixed remuneration		Variable remuneration		Extraordinary items	Pension expense 6)	Total remuneration	Proportion of fixed and variable remuneration
Base salary 2)	Other benefits 3)	One-year variable 4)	Three year variable 5)				
9,5 SEK m	0,15 SEK m	3,0 SEK m	[*]		3,8 SEK m	16,45 SEK m	Fixed: 75% Variable: 25%
Annual fixed is reference	<=10%	<=60%	<=50%	<=50%	<=40%		

1)With the exception of 3-year variable remuneration, tables report remuneration earned during 2020. 3-year variable remuneration is reported to the extent that it has been the subject of so-called vesting 2020.

2)Do not include vacation pay

3)Includes company car

4)Variable pay earned during 2020 and paid out 2021

5)Not vested

6)Defined pension contribution of 40% of Annual base salary

## 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- and long-term business priorities for 2020 have been taken into account.

### Performance of the CEO in the reported financial year: variable cash remuneration <sup>1)</sup>

Variable programme	Description of the criteria related to the remuneration component	Relative weighting of the performance criteria	a) Measured performance and b) actual award/ remuneration outcome
STI 2020	EBITA 2020	80%	a) 1634 SEK m b) 0 SEK m
	Growth 2020	20%	a) -7,1 %, b) 0 SEK m
LTI 2019-2021	average EBITA margin (8-10%) 2019	50%	a) 8,7%
	average Growth (6-10%) 2019	50%	a) 5,3%

	average EBITA margin (8-10%) 2020	50%	a) 8,6%
	average Growth (6-10%) 2020	50%	a) -7,1%
			b) Outcome 2019-2021 **)
LTI 2020-2022	average EBITA margin (8-10%) 2020	50%	a) 8,6%
	average Growth (6-10%) 2020	50%	a) -7,1%
			b) Outcome 2020-2022 **)

1)Table showing performance targets, weight and outcome for CEO variable cash components

\*\*) LTI 2019-2021 and LTI 2020-2022, have not yet vested (vests 2022 respectively 2023)

## Outstanding share and share-price related incentive programmes

### The 2017, 2018, 2019 and 2020 convertible bond programmes

The company had during 2020 four ongoing convertible bond programmes (2017, 2018, 2019 and 2020).The bond is 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 bond is paid back. These programmes are intended to motivate, and retain the participating employees by providing long-term incentives linked to the company's share price and paid out that vests as AFRY shares to encourage the build-up of significant equity holdings.

As a convertible bond programme is based on that the participant grant the company a loan, such programme has limited retention effect. More details on how the convertible bond programme is set up can be found on <https://afry.com/en/investor-relations/corporate-governance/remuneration> and on page 70-71 in the annual report 2020.

Convertible bond programme	Conversion price/programme	Participating/Investment level	Vestion period
Convertible bond 2020	212,20 SEK	No 0 SEK	Start July 1 2023 - ending March 15 2024
Convertible bond 2019	232,10 SEK	Yes 6 SEK m	Start June 15 2022 - ending March 15 2023
Convertible bond 2018	224,60 SEK	Yes 3 SEK m	Start June 15 2021 - ending March 15 2022
Convertible bond 2017	221,90 SEK	Yes 3 SEK m	Start June 15 2020 - ending March 2021

1)Table showing the current Convertible bond programmes and CEO participation

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

In 2017, the Board of Directors resolved on a long-term, share price related, cash incentive plan to the incoming CEO based on AFRY's value growth between April 2017 and March 2021 (inclusive). The value-growth is measured as the share price development during the plan's term. According to the plan, the CEO will be entitled to a one-off payment of maximum SEK 10m, should the plan's four-year 60 percent growth target have been successfully fulfilled. The starting share price in April 2017 was SEK 154,96, and AFRY today is trading around SEK 235 (not adjusted for rights issues).

## Comperative information on the change of remuneration and company performance

Annual change	2020 vs 2019	2020
Jonas Gustavsson (CEO) *	9,5 SEK m vs 9,0 (5,6%)	9,5 SEK m*
Company performance on EBITA	1634 SEK m vs 1731	1634 SEK m
Company performance on EBITA margin	8,6% vs 8,7%	8,6%
Company performance on Organic Growth	-7,1% vs 5,3%	-7,1%
Average remuneration on a full time equivalent basis of employees** of the parent company	2,1%	0,535 SEK m

\* annual fixed base salary

\*\* Excluding the CEO