

Remuneration report 2023

Introduction

This report describes how the guidelines for executive remuneration at Ratos AB, adopted by the 2022 Annual General Meeting, were implemented in 2023. 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 100-105 of the 2023 Annual Report. Information on the work of the compensation committee in 2023 is set out in the Corporate Governance Report available on pages 66-73 of the 2023 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 pages 101-103 of the 2023 Annual Report.

Key developments 2023

The CEO summarises the company's overall performance in his statement on pages 12-14 of the 2023 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 38-39 of the 2023 Annual Report. During 2023, 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 at www.ratos.com/bolagsstyrning. 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 2023 (kSEK)

Senior executive's name (position)	Fixed remuneration		Variable remuneration			Pension expense ⁵⁾	Variable remuneration	Proportion of fixed and variable remuneration %
	Basic salary ¹⁾	Other benefits ²⁾	One-year ³⁾	Multi-year ⁴⁾				
Jonas Wiström (CEO)	10,092	156	8,767	1,928	2,957	23,900	55/45	

¹⁾ Basic salary including holiday pay of kSEK 236.

²⁾ Refers to company car and healthcare.

³⁾ One-year variable remuneration refers to a bonus of SEK 8,767 attributable to 2023. 50% to be paid in 2024 and 50% in 2025. However, up to 100% of the variable cash remuneration for 2023 may be paid to the CEO already in 2024, 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 2024.

⁴⁾ Multi-year variable remuneration refers to securities benefits (kSEK 1,285) and subsidies (kSEK 643) regarding warrants in Ratos's long-term incentive programme 2023.

⁵⁾ 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 2019, 2020, 2021, 2022 and 2023 annual general meetings voted to introduce long-term incentive programmes for the CEO and other key personnel in Ratos (LTI2019–LTI2023), which were still outstanding as of 31 December 2023, consisting of convertibles and warrants (hereinafter the “Instruments”).

Participants in LTI2019 and LTI2020 were free to decide how large a share of the Instruments offered should comprise convertibles and/or warrants. Participants in LTI2021 and LTI2022, with certain exceptions, 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. Under LTI2023, the CEO and members of Ratos's management group were free to decide how large a share of the Instruments offered should comprise convertibles, and the share of warrants could comprise a maximum of 50% of the Instruments offered, while other key personnel were only entitled to subscribe for convertibles, not warrants.

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.

Except for LTI2020, 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 LTI2023, 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 5,907,300 Instruments to the participants, which are still outstanding as of 31 December 2023, distributed as follows: 3,315,600 convertibles and 2,591,700 warrants. The CEO has been allotted a total of 550,000 warrants and 350,000 convertibles, which are still outstanding as of 31 December 2023. Ratos's convertible debentures amounted to a nominal amount of just over SEK 136m as of 31 December 2023. The increase in the company's share capital may, in the event of full exercise of the Instruments, amount to no more than SEK 18,607,995 (assuming the current quota value and that no recalculation has taken place in accordance with the terms and conditions), which, as of 31 December 2023, corresponded to dilution of approximately 1.81% of the shares in Ratos, based on the number of shares outstanding.

It was noted that the exercise period for the convertibles under LTI2019 began during 2022 and that the exercise period for the convertibles under LTI2020 began during the year, that all remaining convertibles under LTI2019 and 487,500 convertibles under LTI2020 were converted to shares during the year, that a total of 440,000 convertibles were outstanding under LTI2020, that the maturity date for LTI2020 is 30 April 2024 and that the exercise periods for the other aforementioned convertible programmes have not yet begun.

It was also noted that the exercise period for the warrants under LTI2018 began during 2022 and that the exercise period for the warrants under LTI2019 and LTI2020 began during the year, that all remaining warrants under LTI2018, 429,200 warrants under LTI2019 and all warrants under LTI2020 were converted to shares during the year, that a total of 429,200 warrants were outstanding under LTI2019, that the maturity date for LTI2019 is 14 June 2024 and that the exercise periods for the other aforementioned warrant programmes have not yet begun.

Synthetic options

The annual general meetings from 2015 to 2017 resolved on cash-settlement option programmes related to Ratos's investments outstanding in companies as of 31 December 2023. 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 having received extra cash remuneration corresponding to a maximum of 50% of the option premium, whereby the remuneration is divided into equal components over four years, normally provided the person concerned still works 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 programme related to Ratos's investment in Aibel expired on 31 May 2023, 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.

It was also noted that the cash-settlement programme related to Ratos's investment in HENT expired on 31 August 2023, which meant that the holders were entitled to exercise their options. The exercise of the options resulted in a payment of approximately SEK 77.5m 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*					
	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 Warrants subject to retention period
								8 Warrants held at beginning of year	9 Warrants allotted	10** Warrants vested	11*** Warrants subject to performance condition	12** Warrants allotted and unvested	
Jonas Wiström (CEO)	LTI2019	N/A	3 Jun 2019	1 Dec 2020	N/A	14 Dec 2022 14 Jun 2024	27.19	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	43.51 ¹	150,000	0	0	N/A	0	N/A
	LTI2022	N/A	20 May 2022	21 Nov 2023	N/A	31 May 2025 15 Dec 2025	45.18 ²	150,000	0	150,000	N/A	0	N/A
	LTI2023	N/A	22 May 2023	23 Nov 2024	N/A	31 May 2026 15 Dec 2026	33.63 ³		150,000 ⁴	0	N/A	150,000	N/A
Total								400,000	150,000	150,000	N/A	150,000	N/A

* In 2023, there were no changes to the warrant programmes LTI2019 (in which the CEO holds 100,000 warrants), LTI2021 (in which the CEO holds 150,000 warrants) and LTI2022 (in which the CEO holds 150,000 warrants). In 2020, the CEO was not allotted any warrants under LTI2020, but rather only convertibles (for more information, refer to Table 3 below) In 2023, the CEO was allotted 150,000 warrants under LTI2023.

**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.

¹ Provided that the share price at the exercise date amounts to at least SEK 49.109.

² Provided that the share price at the exercise date amounts to at least SEK 49.881.

³ Provided that the share price at the exercise date amounts to at least SEK 36.993.

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 (conversion price) (SEK)	Opening		During the year		Closing balance		13 Convertible subject to retention period
								8 Convertible held at beginning of year	9 Convertible allotted	10** Convertible vested	11** Convertible subject to performance condition	12** Convertible allotted and unvested		
Jonas Wiström (CEO)	LTI2021	N/A	29 Mar 2021	29 Mar 2021	N/A	30 Apr 2024 31 May 2025	47.50	150,000	0	0	N/A	N/A	N/A	
	LTI2022	N/A	20 May 2022	20 May 2022	N/A	31 May 2025 31 Jul 2026	48.91	100,000	0	0	N/A	N/A	N/A	
	LTI2023	N/A	22 May 2023	22 May 2023	N/A	31 May 2026 30 Jul 2027	35.36		100,000	100,000	N/A	N/A	N/A	
Total								250,000	100,000	100,000	N/A	N/A	N/A	

* In 2023, there were changes to the convertible programme LTI2020, in which the CEO converted his 150,000 convertibles to shares. In 2023, there were no changes to the convertible programmes LTI2021, in which the CEO holds 150,000 convertibles, or LTI2022, in which the CEO holds 100,000 convertibles. In 2023, the CEO was allotted 100,000 convertibles under LTI2023.

** Convertibles are not covered by any performance conditions or limitations on disposal. The convertibles 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 2023 have been taken into account.

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

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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 Ratos group in 2023	65%	a) 83% b) kSEK 5,317
	Growth in Profit before tax (EBT) for the Ratos Group in 2023	35%	a) 100% b) kSEK 3,449

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 fourth remuneration report, the information in the table below pertains only to the 2020, 2021, 2022 and 2023 financial years.

	RFY 2021 vs RFY 2020	RFY 2022 vs RFY 2021	RFY 2023 vs RFY 2022	RFY 2023
Remuneration to the CEO	+3,904 (+21.0%)	-7,136 (-32.0%)	+8,730 (+57.5%)	23,900
Consolidated operating profit ¹⁾	+198,986 (+13.7%)	-37,699 (-2.3%)	+1,392,481 (+86%)	3,010,456
Average remuneration based on the number of full-time employees ²⁾ in the parent company	+170 (+9.3%)	-412 (-20.6%)	+367 (+18.3%)	1,893

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

²⁾ Excluding members of Group management. However, remuneration to a previous member of Group management is included, in the aforementioned figure, for most of 2020 and 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.