

Note 7 Employees, personnel costs and remuneration to senior executives and boards

Average number of employees¹⁾

	2020		2019	
	Total	Of whom, women, %	Total	Of whom, women, %
Parent company	19	42	20	40
Group companies	8,458	40	8,507	41
Group total	8,477		8,527	
<i>Of whom, in:</i>				
Sweden	2,601	39	2,657	41
Norway	1,759	38	1,666	38
Denmark	418	33	429	31
Finland	300	57	321	55
Australia	6	17	10	30
Belgium	163	32	154	31
Bosnia-Herzegovina	6	100	6	83
Ecuador	163	6	136	7
Estonia	50	92	50	92
France	105	58	109	53
United Arab Emirates	8	25	9	22
India	10	40	8	38
Italy	314	7	339	7
Canada	1	100		
China	300	35	328	35
Croatia	49	51	48	50
Latvia	8	75	8	75
Lithuania	166	33	189	32
Netherlands	28	64	31	61
Poland	521	57	493	60
Romania	6	67	9	56
Russia	11	27	14	36
Switzerland	103	38	101	38
Serbia	21	67	21	67
Slovakia	16	81	20	70
Slovenia	78	59	83	61
Spain	229	79	252	77
UK	208	36	209	35
South Korea	8	25	7	29
Thailand	16	63	17	59
Czech Republic	90	48	98	49
Germany	420	41	434	41
Hungary	80	54	78	54
USA	155	42	133	42
Austria	60	50	60	48
	8,477		8,527	
Of which, discontinued operations	1,984	43	1,994	44

¹⁾ Excluding Aibel, which is recognised according to the equity method

Gender distribution, Board and senior executives¹⁾

	31 Dec 2020	31 Dec 2019
	Share of women	Share of women
Board of Directors		
Parent company	33%	33%
Group total	17%	22%
Management		
Parent company	14%	20%
Group total	23%	29%

Group

Salaries and other remuneration

SEKm	Board and senior executives ¹⁾	Other employees	Total
2020			
Group, total	305	4,314	4,619
(of which, bonus)	(56)		(56)
Of which, in Sweden	148	1,315	1,463
(of which, bonus)	(36)		(36)
Of which, in other countries	157	2,999	3,156
(of which, bonus)	(20)		(20)
Average number of people	148		
2019			
Group, total	276	4,565	4,842
(of which, bonus)	(42)		(42)
Of which, in Sweden	131	1,298	1,429
(of which, bonus)	(28)		(28)
Of which, in other countries	145	3,267	3,412
(of which, bonus)	(14)		(14)
Average number of people	155		

¹⁾ In these tables, "senior executives" refers to senior executives in each sub-group.

Social security costs

SEKm	2020	2019
Social security costs	1,236	1,316
(of which, pension costs)	(342)	(412)

Of the Group's pension costs, SEK 35m (41) refers to the boards and senior executives in the Group's companies. The Group's outstanding pension commitments to these amount to SEK 30m (27).

Parent company

Salaries and other remuneration

SEKm	2020	2019
Senior executives and CEO		
Average number of people ¹⁾	6	6
Salaries and other remuneration ²⁾	40	33
(of which, bonus) ³⁾	(18)	(13)
Salaries and other remuneration, other employees	24	20
Total	64	52

¹⁾ As of the closing date, the number of people was seven (five).

²⁾ Including vacation bonus pay of 0.8%. For 2020, consulting fees to senior executives are included.

³⁾ Variable cash salary is disbursed over a two-year period and is divided into 50% for each year. However, the expense for each year's variable salary is expensed in its entirety in the year the remuneration is earned. However, up to 100% of the variable cash remuneration for 2020 may be paid already in 2021, provided that the entire portion of the variable cash remuneration received that exceeds 50% is invested in instruments in Ratos's long-term incentive programme 2021.

Social security costs

SEKm	2020	2019
Social security costs	29	30
(of which, pension costs)	(11)	(13)

Of the parent company's pension costs, SEK 2.4m (2.3) refers to the CEO.

Note 7, cont.

Remuneration to Board and senior executives

Guidelines and principles for remuneration to senior executives

The guidelines for remuneration and incentive systems for senior executives as set out below were approved by the 2020 Annual General Meeting. The following guidelines were applied throughout 2020.

The guidelines' promotion of the company's business strategy, long-term interests and sustainability

Information regarding the company's business strategy and long-term interests, including its sustainability, is available on the company's website (<https://www.ratos.se/>).

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 is able to recruit and retain qualified personnel. To this end, it is necessary that the company offers competitive remuneration. These guidelines enable the company to offer the executive management a competitive total remuneration.

Long-term share-related incentive plans have been implemented in the company. Such plans have been resolved by the general meeting and are therefore excluded from these guidelines. For more information regarding these incentive plans, please see <https://www.ratos.se/>.

Variable cash remuneration covered by these guidelines shall aim at promoting the company's business strategy and long-term interests, including its sustainability.

Types of remuneration, etc.

The remuneration to senior executives shall be on market terms and may consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. Additionally, the general meeting may – irrespective of these guidelines – resolve on, among other things, share-related or share price-related remuneration.

The satisfaction of criteria for awarding variable cash remuneration shall be measured over a period of one year. The variable cash remuneration may amount to not more than 100% of the total fixed annual cash salary. Further variable cash remuneration may be awarded in extraordinary circumstances, provided that such extraordinary arrangements are limited in time and only made on an individual basis, either for the purpose of retaining executives, or as remuneration for extraordinary performance beyond the individual's ordinary tasks. Such remuneration may not exceed an amount corresponding to 25% of the fixed annual cash salary and may not be paid more than once each year per individual. Any resolution on such remuneration shall be made by the Board of Directors based on a proposal from the compensation committee.

For the CEO, pension benefits, including health insurance (Sw: sjukförsäkring), shall be premium defined. Variable cash remuneration shall not qualify for pension benefits. The pension premiums for premium defined pension shall amount to not more than 30% of the fixed annual cash salary.

For other senior executives, pension benefits, including health insurance, shall be premium defined. Variable cash remuneration shall not qualify for pension benefits. The pension premiums for premium defined pension shall amount to not more than 30% of the fixed annual cash salary.

Other benefits may include, for example, reimbursements for dental care and health care (including medication), medical insurance (Sw: sjukvårdsförsäkring) and company cars. For the CEO, such benefits may be paid out to a customary limited extent.

Termination of employment

Upon termination of an employment, the notice period may not exceed 12 months. Fixed cash salary during the notice period and severance pay may not together exceed an amount corresponding to the fixed cash salary for six months for the CEO and 12 months for other senior executives. Additionally, remuneration may be paid for non-compete undertakings. Such remuneration shall compensate for loss of income, amount to not more than 60% of the fixed monthly cash salary at the time of termination of employment, shall only be paid in so far as the previously employed senior executive is not entitled to severance pay

and be paid during the time the non-compete undertaking applies, however not for more than 12 months following termination of employment for senior executives. When termination is made by the senior executive, the notice period may not exceed six months, without any right to severance pay.

Criteria for awarding variable cash remuneration, etc.

The variable cash remuneration shall be linked to predetermined and measurable criteria which can be financial or non-financial. They may be individualized quantitative or qualitative objectives. The criteria shall be designed so as 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 proportion of variable cash remuneration varies depending on the senior executive's position in the company. The portion of the variable cash remuneration linked to the outcome of financial criteria is normally 100% for the CEO and the CFO, 85% for the Business Area Managers and 65% for other senior executives, even if the portion can be larger or smaller depending on the specific circumstances, and shall be dependent on (i) EBITA growth in Ratos's company portfolio, (ii) growth in earnings before tax (EBT) for the Ratos Group, and (in certain cases) (iii) EBITA growth for portfolio companies in the business area where a member of a business area team works. Variable cash remuneration is paid out in an amount of 50% in the year after the remuneration is earned and 50% in the year thereafter.

To which extent the criteria for awarding variable cash remuneration has been satisfied shall be evaluated/determined when the measurement period has ended. The Board of Directors is responsible for the evaluation so far as it concerns variable remuneration to the CEO, based on a proposal from the compensation committee. For variable cash remuneration to other senior executives, the CEO is responsible for the evaluation. For financial objectives, the starting point for the evaluation shall be the latest financial information made public by the company.

Salary and employment conditions for employees

In the preparation of the Board of Directors' proposal for these remuneration guidelines, salary and employment conditions for employees of the company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the compensation committee's and the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable. The development of the gap between the remuneration to the senior executives and remuneration to other employees will be disclosed in the remuneration report.

The decision-making process to determine, review and implement the guidelines

The Board of Directors has established a compensation committee. The committee's tasks include preparing the Board of Directors' decision to propose guidelines for executive remuneration. The Board of Directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the annual general meeting. The guidelines shall be in force until new guidelines are adopted by the general meeting. The compensation committee shall also monitor and evaluate programmes for variable remuneration for the executive management, the application of the guidelines for executive remuneration as well as the current remuneration structures and compensation levels in the company. The members of the compensation committee are independent of the company and its executive management. The CEO and other members of the executive management do not participate in the Board of Directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

Derogation from the guidelines

The Board of Directors may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the

Note 7, cont.

company's long-term interests, including its sustainability, or to ensure the company's financial viability. As set out above, the compensation committee's tasks include preparing the Board of Directors' resolutions in remuneration-related matters.

Convertible debentures and warrants issued in 2018–2020

The 2018–2020 Annual General Meetings voted to introduce a long-term incentive programme for the CEO and other key personnel in Ratos consisting of convertibles and warrants (referred to below as the "Instruments"), where participants in the programme are free to decide how large a share of the Instruments offered should comprise convertibles (which extend for no more than four years) and/or warrants (which extend for no more than five years). One prerequisite for allotment of warrants is that the employee has signed an agreement regarding repurchase 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.

The standard valuation model for warrants (Black & Scholes) was applied to calculate the value. For programmes issued in 2018–2019, participants were offered warrants free of charge and received a benefit corresponding to the market value of the warrants on the date of allotment (option premium). The net expense for participants, after subsidies, was approximately 50% of the taxable benefit. For the 2020 programme, the participants paid in cash.

Call option programmes issued 2016–2017

Annual general meetings from 2001 up to and including 2017 have decided on call option programmes directed to senior executives and other key people within Ratos. Members of the Board of Ratos are not

included in this offer. Employees have paid a market premium for the call options in all programmes. Acquisitions of call options are subsidised by the purchaser receiving extra remuneration corresponding to a maximum of 50% of the option premium after deduction for 55% standard tax, whereby the remuneration is divided into equal parts over five years. Payment of remuneration is normally conditional upon continued employment and continued holding of options acquired from Ratos or shares acquired through the options. The call options are issued on treasury shares.

Synthetic options issued in 2011–2017

The 2017 Annual General Meeting, like all Annual General Meetings since 2007, resolved on a cash-based option programme related to Ratos's investments in the companies. The programme is carried out through the issue of synthetic options that are transferred at market price. The programme gives the CEO and other key people within Ratos an opportunity to share in the investment result of the individual companies. Options related to an individual investment only have a value if Ratos's annual return on the investment exceeds 8%. According to the 2017 option programme, the total value of the issued options at the closing date will be a maximum of 5% of the difference between the actual realised value for Ratos's investment at the closing date and the cost increased by 8% per year. Acquisitions of synthetic options are subsidised by the purchaser receiving extra remuneration corresponding to a maximum of 50% of the option premium up to 5% of Ratos's total investment in the relevant company after deduction for 55% standard tax, whereby the remuneration is divided into equal parts for four years and is normally conditional upon continued employment in the Ratos Group and continued holding of options acquired from Ratos.

Remuneration to Ratos's Board and senior executives 2020

SEKm	Board fee/ basic salary ¹⁾	Variable remuneration ²⁾	Other benefits ³⁾	Pension costs	Total	Pension commitments
Per-Olof Söderberg, Chairman of the Board	1.1	–	–	–	1.1	–
Eva Karlsson, Board member	0.6	–	–	–	0.6	–
Jan Söderberg, Board member	0.6	–	–	–	0.6	–
Karsten Slotte, Board member	0.6	–	–	–	0.6	–
Ulla Litzén, Board member	0.6	–	–	–	0.6	–
Jonas Wiström, CEO	8.0	7.9	0.1	2.4	18.4	–
Other senior executives ⁴⁾	14.0	9.8	0.1	3.0	26.9	–

¹⁾ Basic salary including vacation bonus pay of 0.8%. The Board fee pertains to the fee for the meeting year from May 2020 up to and including March 2021. Basic salary includes consulting fees received by Board members.

²⁾ Variable remuneration refers to bonuses attributable to 2020, 50% to be paid in 2021 and 50% in 2022. However, up to 100% of the variable cash remuneration for 2020 may be paid to the CEO already in 2021, 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 2021.

³⁾ Mainly comprises company car benefits.

⁴⁾ Refers to eight people who were members of the management group in 2020, four of whom for part of the year. As of 31 December 2020, the number is seven.

Remuneration to Ratos's Board and senior executives 2019

SEKm	Board fee/ basic salary ¹⁾	Variable remuneration ²⁾	Other benefits ³⁾	Pension costs	Total	Pension commitments
Per-Olof Söderberg, Chairman of the Board	1.1	–	–	–	1.1	–
Eva Karlsson, Board member	0.6	–	–	–	0.6	–
Jan Söderberg, Board member	0.6	–	–	–	0.6	–
Karsten Slotte, Board member	0.6	–	–	–	0.6	–
Ulla Litzén, Board member	0.6	–	–	–	0.6	–
Jonas Wiström, CEO	7.6	5.0	0.5	2.3	15.4	–
Other senior executives ⁴⁾	12.5	7.8	1.4	3.6	25.3	–

¹⁾ Basic salary including vacation bonus pay of 0.8%. The Board fee pertains to the fee for the meeting year from May 2019 up to and including April 2020.

²⁾ Variable remuneration refers to bonuses attributable to 2019, 50% to be paid in 2020 and 50% in 2021. Variable remuneration also includes subsidies on warrants.

³⁾ Other benefits include benefits for warrants. The non-material value of company cars is included.

⁴⁾ Refers to six people who were members of the management group in 2019, one of whom for part of the year. As of 31 December 2019, the number is five.

Note 7, cont.

Remuneration to the CEO

Variable remuneration

The size of variable remuneration is decided by the Board based on a proposal from the compensation committee and within the framework of the total variable remuneration component for senior executives and other key people. Acquisition of warrants is subsidised within the framework of the incentive programme for senior executives.

Pension terms

Pension premiums amount to 30% of basic salary. The pension is a defined contribution plan. There is no agreed retirement age.

Terms for severance pay

A six-month (six) notice period will apply if notice is given by the CEO or the company. There is no agreement regarding severance pay.

Other senior executives

Variable remuneration

For remuneration to the other senior executives, see the above table.

Pension terms

Pension benefits comprise a defined contribution pension solution. There is no agreed retirement age.

Terms for severance pay

In the event of notice being given by the company or by the senior executive, a period of notice of six months normally applies. There is no agreement regarding severance pay in any employment contract.

Call options issued in 2016–2017

Holding ¹⁾	Issued 2016, Number		Issued 2017, Number		Benefit, SEKm	
	2020	2019	2020	2019	2020	2019
Chairman of the Board ²⁾	-	-	-	-	-	-
Other Board members ²⁾	127,500	127,500	-	-	-	-
Jonas Wiström, CEO ^{2) 3)}	260,000	260,000	-	-	-	-
Other senior executives	23,000	3,000	20,000	20,000	-	-

¹⁾ Relates to own and related parties' holdings, including any overallotment.

²⁾ Options in Ratos issued by Ratos's principal owner. Acquisitions were made at market value. The standard valuation model (Black & Scholes) was applied to calculate the value. The call options extend through 18 March 2021. Utilisation of call options to buy shares in Ratos can be done during the period 1 October 2019 to 19 March 2021. Each call option entitles the holder to purchase one Class B share in Ratos from the issuers. The exercise price shall correspond to 125% of the average of the calculated volume-weighted price paid for Ratos Class B shares on Nasdaq Stockholm for each trading day during the period 12–16 September 2016, taking dividends into account. The programme was prepared by the principal owners together with external advisors.

³⁾ Jonas Wiström's holding refers to options issued by the principal owners acquired during his term as Chairman of the Board.

Synthetic options issued in 2011–2017

SEKm	Proceeds received upon redemption		Benefit	
	2020	2019	2020	2019
Board of Directors	-	-	-	-
CEO and other senior executives	-	-	-	-

Warrants and call options issued by Ratos

	31 Dec 2020				31 Dec 2019			
	Warrants		Call options		Warrants		Call options	
	No. of options	Corresponding no. of shares	No. of options	Corresponding no. of shares	No. of options	Corresponding no. of shares	No. of options	Corresponding no. of shares
Outstanding at beginning of period	948,511	948,511	1,157,600	1,157,600	429,811	429,811	1,732,100	1,732,100
Issued	55,000	55,000			518,700	518,700		
Repurchased								
Expired ¹⁾			-462,100	-462,100			-574,500	-574,500
Outstanding at end of period	1,003,511	1,003,511	695,500	695,500	948,511	948,511	1,157,600	1,157,600
of which, redeemable	0				0			

¹⁾ The exercise price for the call options was SEK 51.2 per share (48.5). The share price when the options expired was SEK 17.6 (19.2).

Disclosures on warrants issued during the period

Each warrant carries entitlement to purchase one share.

	2020	2019
Maturity date	30 Apr 2025	14 Jun 2024
Taxable benefit including social security costs, SEKm	-	2.7
Total payments to Ratos if shares acquired, SEKm	1.5	16.9

Note 7, cont.

Option terms for outstanding call options

Maturity date	Option price, SEK per option	Exercise price, SEK per share	Right to purchase no. of shares	31 Dec 2020		31 Dec 2019	
				No. of options	Corresponding no. of shares	No. of options	Corresponding no. of shares
20 Mar 2020						462,100	462,100
19 Mar 2021	4.80	39.60	1	453,000	453,000	453,000	453,000
18 Mar 2022	4.50	41.70	1	242,500	242,500	242,500	242,500
				695,500	695,500	1,157,600	1,157,600
Maximum increase in number of shares in relation to outstanding shares at end of period					0.2%		0.4%

The cash amount that Ratos may receive on exercise of outstanding options amounts to SEK 28m (52).

Option terms for outstanding warrants

Maturity date	Option price, SEK per option	Exercise price, ³⁾ SEK per share	Right to purchase no. of shares	31 Dec 2020		31 Dec 2019	
				No. of options	Corresponding no. of shares	No. of options	Corresponding no. of shares
8 Jun 2023	3.3 ¹⁾	35.08	1	429,811	429,811	429,811	429,811
14 Jun 2024	3.93 ¹⁾	32.61	1	518,700	518,700	518,700	518,700
30 April 2025	3.87 ²⁾	27.13	1	55,000	55,000		
				1,003,511	1,003,511	948,511	948,511
Maximum increase in number of shares in relation to outstanding shares at end of period					0.3%		0.3%

¹⁾ The warrants issued 2018–2019 are offered free of charge to participants, and the participants receive a benefit corresponding to the market value of the warrant at the date of allotment (option premium). The net expense for participants, after subsidies, will be approximately 50% of the taxable benefit.

²⁾ Cash payment

³⁾ Restated for dividends

Incentive programmes in Ratos's subsidiaries

Ratos makes active efforts to ensure that an incentive strategy is in place for boards and senior executives of the companies in which Ratos invests. There are a number of different incentive programmes which include shares, warrants, synthetic options and synthetic shares. Investments are made on market terms with some exceptions.

These exceptions did not have any material effect on the Ratos Group's income statement and balance sheet. In total, financial liabilities relating to synthetic options in the Ratos Group amounted to SEK 371m (241), of which MSEK 173 pertains to continuing operations. During the year, the Group's earnings were affected in an amount of SEK -172m (-77) relating to synthetic option liabilities, of which SEK -73m (-20) pertained to continuing operations.

Note 8 Fees and disbursements to auditors

SEKm	Group		Parent company	
	2020	2019	2020	2019
Chief Auditor EY				
Audit assignment	21	18	3	3
Audit-related activities in addition to audit assignment	1	1	0	0
Tax advice	1	1		
Other services		0		
	22	20	3	3
Other auditors				
Audit assignment	2	1		
	25	21	3	3

Audit assignment refers to the statutory audit of the annual report and accounting records as well as the administration by the Board of Directors and the CEO.

Audit-related activities in addition to audit assignment refers to other audit procedures conducted in accordance with contracts or agreements, for example audit of liquidations, and advice pertaining to audits. This also includes other tasks which are in the business of the company's auditors, and advice or other assistance which is caused by observations on such examinations or implementation of other such work tasks.

Tax advice refers to preparation of tax returns, tax consultations, tax advice in conjunction with company acquisitions, setting of transfer price, requesting advance notification or other statements from tax authorities, and tax services related to personnel outside Sweden.

Other fees refers to all other services provided by the auditing firms and tax consultants, for example advice in transactions and in conjunction with acquisitions and divestments, valuation services, advice regarding accounting matters as well as advice regarding processes and internal controls.