

Remuneration report 2021

Introduction

This report describes how the guidelines for executive remuneration of Company AB, adopted by the annual general meeting 2020, were implemented in 2021. The report also provides information on remuneration to the CEO and consultancy fees to board members. 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* issued by the Swedish Corporate Governance Board.

Further information on executive remuneration is available in note 8 (Employees and personnel costs) on pages 74-78 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 110-114 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 page 74-78 in the annual report 2021.

Key developments 2021

The CEO summarizes the company's overall performance in his statement on page 10 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 clear performance related criteria in easy and transparent designs. The criteria can be financial, non-financial or 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. These criteria can include among others sales and earnings based financial criteria.

The guidelines are found in note 8 on pages 74-78 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 www.company.se/corporategovernance. No remuneration has been reclaimed.

GARO AB does not have any long-term share-related incentive plans in addition to remuneration covered by the remuneration guidelines.

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

| Name of director (position) | 1 Fixed remuneration | | 2 Variable remuneration | | 3 Extraordinary items | 4 Pension expense | 5 Total remuneration | 6 Proportion of fixed and variable remuneration***** |
|-----------------------------|-------------------------|-------------------|----------------------------|-------------------------|--------------------------|----------------------|-------------------------|---|
| | Base salary** | Other benefits*** | One-year variable | Multi-year variable**** | | | | |
| Patrik Andersson (CEO) | 2,250 | 128 | 540 | N/A | N/A | 637 | 3,555 | 85/15 |

* The table reports remuneration earned in 2021

** Including holiday pay and saved holidays

*** Residence and housing benefit

**** Vested share awards as set out in column 8 of Table 3 below

***** 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

GARO AB does not have any outstanding share-related and share price-related incentive plans

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. Also, the performance measures further contribute to alignment with sustainability as well as the company values.

Table 2 - 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 |
| Patrik Andersson (CEO) | Operating income 2021 | 100% | a) MSEK 207,2 (100%) b) KSEK 540 |

Consultancy fees to board members

In 2021 between January and May, the board member Rickard Blomqvist, through an own company, conducted work for GARO AB in addition to his board assignment. For the work, Rickard Blomqvist has received consultancy fees amounting to KSEK 68, which is deemed to be on market terms taking into account the nature and effort of his work. GARO AB has not incurred any other costs for the work in addition to the consultancy fees. The board of directors has resolved on the consultancy fees.

Comparative information on the change of remuneration and company performance

Table 3 – Change of remuneration and company performance over the last five reported financial years (RFY) (KSEK)

| | RFY-4 vs RFY-5 | RFY-3 vs RFY-4 | RFY-2 vs RFY-3 | RFY-1 vs RFY-2 | RFY vs RFY-1 | RFY 2021 |
|--|------------------|------------------|-------------------|-------------------|------------------|----------|
| CEO remuneration | +100 (+2,4%) | -400 (-9,3%) | +2,500 (+64,1%)** | -3,123 (-48,8%)** | 278 (8,5%)** | 3,555 |
| Consultancy fees to board members | +/- 0 | -300 (-43%) | +100 (+25%) | +100 (+20%) | -532 (-89%) | 68 |
| Group operating profit | +24,300 (+32,9%) | +15,700 (+16,0%) | -1,200 (-1,1%) | +23,600 (+21,0%) | +71,000 (+52,0%) | 207,200 |
| Average remuneration on a full time equivalent basis of employees* of the parent company | +45,9 (+13,8%) | +19,9 (+5,3%) | -6,5 (-1,6%) | +40 (+10,3%) | -10,5 (-2,4%***) | 420,9 |

* Excluding members of the group executive management

** 2019 includes compensation during notice period and reservation for severance payment corresponding to 6 months

*** From the 1st of January 2021, employees within the product area E-mobility have been transferred to the subsidiary GARO E-mobility AB