

Remuneration report 2020

Introduction

This report describes how the guidelines for executive remuneration of Company AB, adopted by the annual general meeting 2020, were implemented in 2020. 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 82-83 in the annual report 2020. Information on the work of the remuneration committee in 2020 is set out in the corporate governance report available on pages 116-120 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 8 on page 82-83 in the annual report 2020.

Key developments 2020

The CEO summarizes the company's overall performance in his statement on page 10 in the annual report 2020.

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 on pages 58-59 in the annual report 2020. During 2020, 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 2020 (KSEK)*

Name of director (position)	1		2		3	4	5	6
	Fixed remuneration	Variable remuneration	One-year variable	Multi-year variable****				
Patrik Andersson (CEO)	2,314	105	304	N/A	N/A	554	3,277	93/7

* The table reports remuneration earned in 2020

** Including holiday pay, saved holidays, ATF (0,4 MSEK)

*** 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 2020 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	2	3
			a) Measured performance and b) actual award/ remuneration outcome
Patrik Andersson (CEO)	Operating income 2020	100%	a) MSEK 136,2 (61%) b) KSEK 304

Consultancy fees to board members

In 2020, 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 600, 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 2020
CEO remuneration	+700 (+20,0%)	+100 (+2,4%)	-400 (- 9,3%)	+2,500 (+64,1%)*	-3,123 (-48,8%)**	3,277
Consultancy fees to board members	-100 (-12,5%)	+/- 0	-300 (- 43%)	+100 (+25%)	+100 (+20%)	600
Group operating profit	+11,400 (+18,3%)	+24,300 (+32,9%)	+15,700 (+16,0%)	- 1,200 (-1,1%)	+23,600 (+21,0%)	136,200
Average remuneration on a full time equivalent basis of employees* of the parent company	+1,8 (+0,5%)	+45,9 (+13,8%)	+19,9 (+5,3%)	-6,5 (-1,6%)	+40 (+10,3%)	430

* Excluding members of the group executive management

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