

Remuneration Report

Introduction

This report provides an outline of how AFRY AB's ("AFRY" or the "Company") guidelines for executive remuneration (the "Remuneration Guidelines"), adopted by the Annual General Meeting 2021, have been implemented in 2021. Further, the report provides details on the remuneration to AFRY's CEO and a summary of AFRY's outstanding long-term 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.

Key developments 2021

The CEO summarizes the Company's performance in his statement on page 2 in the Annual Report 2021.

A prerequisite for a successful implementation of the Company's business strategy and safeguarding of long-term interests, including sustainability, is that the Company can recruit and retain qualified personnel. To achieve this, the Company must offer competitive remuneration. The Company's Remuneration Guidelines enable the Company to offer executives a competitive total remuneration. In accordance with the Remuneration Guidelines, executive remuneration shall be on market terms and may consist of the following components: fixed cash salary, variable cash remuneration (STI and LTIP included), pension benefits and other customary benefits. The variable cash remuneration must mainly be tied to financial criteria. The criteria must be designed to contribute to the Company's business strategy and long-term interests.

In addition to the remuneration covered by the Remuneration Guidelines, AFRY's Annual General Meetings have until 2020, inclusive, decided to implement long-term convertible bond programmes.

The Remuneration Committee monitors and evaluates programmes for remuneration to the CEO, both ongoing programmes and programmes ended during the year, and the actual and expected outcome of such programmes 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. However, in 2021 the Remuneration Committee conducted a review of the long-term convertible bond programmes, which concluded that the Company shall offer a long-term, mainly share price related, incentive programme as part of the employees' total remuneration. The Board of Directors (i) did not propose a convertible bond programme for the Annual General Meeting 2021, and (ii) will propose a cash-based long-term incentive programme for 2022 for the Annual General Meeting 2022, to replace the previous convertible bond programme, see the heading below "*The new proposed 2022 performance-based long-term cash programme*". The Remuneration Committee's evaluation and the Auditor's review have concluded that AFRY has complied with applicable Remuneration Guidelines, and that no derogations or deviations have been

made during 2021. The Auditor's report regarding AFRY's compliance with the Remuneration Guidelines is available on www.afry.com/en.

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 no material changes will be made in the Remuneration Guidelines, but proposes certain editorial changes to simplify and clarify the Remuneration Guidelines.

The proposed Remuneration Guidelines for executive remuneration are available on pages 55-56 in the Annual Report 2021 and under agenda item 12 in the notice to the 2021 Annual General Meeting.

Remuneration to the CEO during 2021

The table below sets out the total remuneration during 2021 to AFRY's CEO¹⁾.

Fixed remuneration		Variable remuneration		Extraordinary items	Pension expense	Total remuneration	Proportion of fixed and variable remuneration
Base salary ²⁾	Other benefits ³⁾	One-year variable	Three-year variable ⁴⁾				
9.91 MSEK	0.11 MSEK	3.0 MSEK	9.01 MSEK		4.0 MSEK	26.03 MSEK	Fixed: 45% Variable: 55%
Annual fixed is reference	<=10%	<=60%	<=50%	<=50%	<=40%		

1) With the exception of 3-year variable remuneration, the table shows remuneration earned during 2021. 3-year variable remuneration is reported to the extent it has been subject to so-called vesting 2021. For earned variable remuneration, see section "Application of performance criteria" below.

2) Vacation pay included.

3) Company car included.

4) The three-year remuneration includes a CEO-LTI 2017-2021 during 2021, paid in 2021, which is not to be included in the annual fixed reference value. For more information, see section "Application of performance criteria" below.

Application of performance criteria

The performance criteria for the CEO's variable remuneration have been determined to realise the Company's strategy and to encourage behaviors in the long-term interest of the Company. The performance criteria have been selected considering the strategic objectives and short- and long-term business priorities for 2021. The variable remunerations which are expensed 2021 are presented below as well as in note 6 of the Annual Report.

Performance of the CEO during the reported financial year: variable cash remuneration⁵⁾

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 2021	EBITA 2021	20%	a) 1,712 MSEK b) 1.00 MSEK / outcome of 96.1%
	EBITA margin	15%	a) 8.5% b) 0.69 MSEK / outcome of 94.4%
	Growth 2021	35%	a) 5.3% b) 2.21 MSEK / outcome of 106.0% ⁶⁾
	Individual targets	30%	a) 75% b) 1.34 MSEK / outcome of 75.0%
LTI 2019-2021	Average EBITA margin (8-10%) 2019-2021	50%	a) 8.60% b) 0.71 MSEK / outcome of 30.2 %
	Average Growth (6-10%) 2019-2021	50%	a) 0.55% b) 0 MSEK / outcome of 0.0%
LTI 2020-2022	Average EBITA margin (8-10%) 2020-2022	50%	a) Performance 2020-2022 ⁷⁾ b) Outcome 2020-2022 ⁷⁾
	Average Growth (6-10%) 2020-2022	50%	a) Performance 2020-2022 ⁷⁾ b) Outcome 2020-2022 ⁷⁾
LTI 2021-2023	Average EBITA margin (7-10%) 2021-2023	50%	a) Performance 2021-2023 ⁷⁾ b) Outcome 2021-2023 ⁷⁾
	Average Growth (4-10%) 2021-2023	50%	a) Performance 2021-2023 ⁷⁾ b) Outcome 2021-2023 ⁷⁾
CEO LTI 2017-2021	Share price development Q1 2017 – Q1 2021	100%	a) 54.05% b) 9.01 MSEK / outcome of 90.1%
CEO LTI 2021-2024	Share price development Q1 2021 – Q1 2024	100%	a) Performance Q1 2021-Q1 2024 ⁸⁾ b) Outcome Q1 2021- Q1 2024 ⁸⁾

5) Table showing performance targets, weighting and outcomes for the CEO's variable cash components.

6) Maximum outcome capped at 100%.

7) LTI 2020-2022 and LTI 2021-2023 have not yet vested (2023 and 2024, respectively).

8) CEO LTI 2021-2024, have not yet vested (2024).

Based on the Remuneration Committee's assessment that the CEO has shown strong performance during the year and AFRY's strategic development, the the Board of Directors awarded the CEO with a variable cash remuneration for the performance year of 2021 of 3 MSEK.

Outstanding share related and share price related incentive programmes⁹⁾

Convertible bond programmes 2017-2020

During 2021 the Company had four ongoing convertible bond programmes (2017, 2018, 2019 and 2020), whereof the 2017 programme ended on 15 March 2021. Following the review of the Company's share and share price related incentive programmes conducted 2021, it was decided not to present a new convertible bond programme for 2021. In brief, the convertible bond programmes 2018-2020 are based on a convertible bond being converted into a number of shares following the expiration of a three-year vesting period (performance period), given that the share price has risen above a pre-defined threshold, otherwise the convertible bond shall be repaid. The purpose of these programmes is to motivate and retain the participating employees by providing long-term incentives tied to the Company's share price, that are paid out in AFRY shares, to encourage the build-up of significant own shareholding in AFRY.

As the structure of the convertible bond programme is based on the participant granting the Company a loan, such programme has limited retention effect. More details on how the convertible bond programme is designed can be found on www.afry.com/en and on page 88 in the Annual Report 2021.

Convertible bond programme	Conversion price/programme	Participation/investment level CEO	Conversion period
Convertible bond 2020	212.20 SEK	No/0 SEK	Start date June 15 2023 – end date March 15 2024
Convertible bond 2019	232.10 SEK	Yes/6 MSEK	Start date June 15 2022 - end date March 15 2023
Convertible bond 2018	198.60 SEK	Yes/3 MSEK	Start date June 15 2021 - end date March 15 2022
Convertible bond 2017	196.20 SEK	Yes/3 MSEK	Start date June 15 2020 - end date March 15 2021

9) Table showing the existing convertible bond programmes and the CEO's participation.

CEO's long-term share price related cash incentive programme

A long-term share price related cash incentive programme shall be in place for the CEO. In 2017, the Board of Directors decided on such a programme to the incoming CEO based on AFRY's value growth between April 2017 and March 2021 (inclusive). Value growth was measured as the development of the share price during the term of the programme. The share price development was 54.05 percent (adjusted for the merger with Pöyry) during the term, resulting in 9.01 MSEK was paid to the CEO.

According to the terms and conditions specified in the Remuneration Guidelines adopted on the Annual General Meeting 2021, the CEO is participating in a new long-term share price related cash programme based on the share price development during the period April 2021 – March 2024 (inclusive). The threshold level has been determined at a 0 percent minimum increase with a cap at a 30 percent increase as the maximum level. Payment shall be made on a linear basis between the minimum level and the maximum level. If the maximum level is reached and the CEO is still employed by AFRY, he is entitled to a payment of 7.5 MSEK (gross, before tax).

The new proposed 2022 performance based long-term cash programme

Based on the conclusions from evaluating the share and share price related incentive programmes, where, among other things, uptake and retention of key employees as well as the outcome of the programmes were important factors, the Board of Directors has resolved to propose a new performance based long-term cash programme starting in 2022. 125 employees will be invited to participate in the programme, including the CEO, the Group Executive Management, employees at director level and above who are reporting directly to the Group Executive Management, and a few nominations of key personnel and employees in key positions. The new programme is designed to allow more employees to participate and to better fulfill its purpose, i.e. create conditions for retaining key personnel, be an attractive incentive for participants, be easy to understand and easily accessible to participants and align participants' and shareholders' interests.

The proposed performance based long-term cash programme 2022 is described under item 13 in the notice to the Annual General Meeting (the notice is available on AFRY's website, www.afry.com/en).

Comparative information on the change of remuneration and Company performance

Annual change	2020 vs 2019	2021 vs 2020	2021
REMUNERATION TO THE GROUP EXECUTIVE MANAGEMENT¹⁰⁾			
Annual fixed base salary CEO	9.66 MSEK vs 9.15 MSEK (+5.6%)	9.91 MSEK vs 9.66 MSEK (+2.6%)	9.91 MSEK
THE COMPANY'S PERFORMANCE¹¹⁾			
The Company's EBITA result	1,635 MSEK vs 1,731 MSEK (-5.5%)	1,712 MSEK vs 1,635 MSEK (+4.7%)	1,712 MSEK
The Company's EBITA margin result	8.6% vs 8.7% (-0.1 pp)	8.5% vs 8.6% (-0.1 pp)	8.5%
The Company's organic growth result	-7.1% vs 5.3% (-12.4 pp)	5.3% vs -7.1% (+12.4 pp)	5.3%
AVERAGE REMUNERATION ON FULL TIME BASIS FOR EMPLOYEES¹²⁾			
Employees in the Company	0.54 MSEK vs 0.52 MSEK (2.1%)	0.55 MSEK vs 0.54 MSEK (1.8%)	0.55 MSEK

10) Remuneration includes fixed remuneration, i.e. base salary including holiday pay.

11) Adjusted for items affecting comparability. For a definition of the performance criteria, please see the Annual and sustainability report 2021, mainly section "Alternative performance measures".

12) CEO remuneration excluded. Remuneration includes fixed remuneration i.e. base salary including holiday pay.

Further information is available in the Annual Report 2021 and on AFRY's website

AFRY's Remuneration Guidelines adopted by the 2021 Annual General Meeting and the auditor's report regarding AFRY's compliance with the guidelines are available on AFRY's website www.afry.com/en.

Further information regarding AFRY's remunerations during 2021 which is not covered by this report is available in the Annual Report 2021, in the following sections:

p. 45	The Remuneration Committee's work during 2021.
note 6 on p. 85-88	Such information required by Chapter 5, Sections 40-44 of the Swedish Annual Accounts Act (1995:1554), including detailed information regarding remuneration to other senior executives covered by the Remuneration Guidelines adopted at the Annual General Meeting 2021 and information regarding AFRY's share and share-related incentive programme.
note 6 on p. 86	Remuneration to the Board of Directors.