

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

### Average number of employees<sup>1)</sup>

	2019		2018	
	Total	Of whom, women, %	Total	Of whom, women, %
Parent company	20	40	26	38
Group companies	8,507	41	8,831	41
<b>Group total</b>	<b>8,527</b>		<b>8,839</b>	
<i>Of whom, in:</i>				
Sweden	2,657	41	2,769	40
Norway	1,666	38	1,718	37
Denmark	429	31	414	33
Finland	321	55	335	54
Australia	10	30	11	18
Belgium	154	31	162	30
Bosnia-Herzegovina	6	83	5	60
Ecuador	136	7	120	8
Estonia	50	92	54	93
France	109	53	111	58
United Arab Emirates	9	22	7	29
India	8	38	9	33
Indonesia			9	67
Italy	339	7	302	9
China	328	35	395	39
Croatia	48	50	46	54
Latvia	8	75	4	25
Lithuania	189	32	213	29
Netherlands	31	61	34	73
Poland	493	60	508	55
Romania	9	56	8	38
Russia	14	36	15	33
Switzerland	101	38	97	44
Serbia	21	67	24	71
Slovakia	20	70	28	79
Slovenia	83	61	92	42
Spain	252	77	264	76
UK	209	35	204	29
South Korea	7	29	11	55
Thailand	17	59	17	59
Czech Republic	98	49	105	44
Germany	434	41	464	47
Hungary	78	54	76	51
USA	133	42	142	41
Austria	60	48	64	55
Other countries			2	50
	<b>8,527</b>		<b>8,839</b>	

<sup>1)</sup> Excluding Aibel, which is recognised according to the equity method

### Gender distribution, Board and senior executives

	31 Dec 2019	31 Dec 2018
	Share of women	Share of women
<b>Board of Directors</b>		
Parent company	33%	33%
Group total	22%	23%
<b>Management</b>		
Parent company	20%	17%
Group total	29%	39%

### Group

#### Salaries and other remuneration

SEKm	Board and senior executives	Other employees	Total
<b>2019</b>			
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		
<b>2018</b>			
Group, total	310	4,309	4,619
(of which, bonus)	(39)		(39)
Of which, in Sweden	119	1,310	1,429
(of which, bonus)	(12)		(12)
Of which, in other countries	191	2,999	3,190
(of which, bonus)	(27)		(27)
Average number of people	238		

#### Social security costs

SEKm	2019	2018
Social security costs	1,316	1,261
(of which, pension costs)	(412)	(331)

Of the Group's pension costs, SEK 41m (45) refers to the boards and senior executives in the Group's companies. The Group's outstanding pension commitments to these amount to SEK 27m (20).

### Parent company

#### Salaries and other remuneration

SEKm	2019	2018
<b>Senior executives and CEO</b>		
Average number of people <sup>1)</sup>	6	6
Salaries and other remuneration <sup>2)</sup>	33	27
(of which, bonus) <sup>3)</sup>	(13)	(4)
Salaries and other remuneration, other employees	20	18
<b>Total</b>	<b>52</b>	<b>46</b>

<sup>1)</sup> Per 31 December 2019 the number was five (six) people.

<sup>2)</sup> Excluding vacation bonus pay

<sup>3)</sup> 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.

#### Social security costs

SEKm	2019	2018
Social security costs	30	26
(of which, pension costs)	(13)	(11)

Of the parent company's pension costs, SEK 2.3m (2.1) 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 2019 Annual General Meeting. The following guidelines were applied throughout 2019.

The incentive system for the company's business organisation is of major strategic importance for Ratos. Against this background, a remuneration and incentive system has been drawn up designed to offer competitive terms at the same time as the company's employees are motivated to work in the interests of the shareholders.

The incentive system comprises a number of components – basic salary, variable salary, pension provisions, warrants and convertible debentures – and rests on five basic principles.

- Ratos's employees shall be offered competitive terms of employment in an industry where competition for qualified employees is intense.
- Both individual efforts and the Group's performance must be linked to clear targets set by the Board.
- Variable cash salary that is to be paid to senior executives is to be linked to joint and individual targets set annually. The targets are both quantitative and qualitative and aim to fulfil Ratos's long-term strategy and earnings trend that benefit the shareholders.
- Each year the Board sets a limit for the total variable salary, which shall amount to a maximum of approximately 0.6% of the company's equity at the start of the financial year.
- Key people at Ratos shall be encouraged to have the same perspective as the company's shareholders which will be achieved through reasonably balanced incentive programme where employees can share in price rises.

As far as possible, pension benefits shall be defined contribution pension solutions, but certain pension benefits that follow the ITP plan are defined benefit plans. There is no agreed retirement age.

The Board shall be entitled to deviate from these guidelines if special circumstances should prevail in an individual case.

### **Variable cash salary for senior executives**

The variable cash salary is related to the annual shared and individual targets. The targets are both quantitative and qualitative and aimed at meeting Ratos's long-term strategy. The Board chose to leave the structure for variable cash salary largely unchanged for 2019, as this is considered to be on market terms and appropriate.

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. A ceiling has been established in relation to each senior executive's fixed salary and could, for 2019, amount to a maximum of 100% of fixed salary.

Follow-up and evaluation of variable cash salary is conducted at the end of each year. Target fulfilment by the CEO and senior executives is followed up and evaluated by the Compensation Committee and then approved by the Board of Directors following proposal from the Compensation Committee.

### **Convertible debentures and warrants issued in 2018–2019**

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

### **Call option programmes issued 2015–2017**

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. Acquisition of call options is 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 for 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 2007–2017**

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.

## Note 7, cont.

### Remuneration to Ratos's Board and senior executives 2019

SEKm	Board fee/basic salary <sup>1)</sup>	Variable remuneration <sup>2)</sup>	Other benefits <sup>3)</sup>	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	7.5	5.0	0.5	2.3	15.3	–
Other senior executives <sup>4)</sup>	12.4	7.8	1.4	3.6	25.2	–

<sup>1)</sup> Basic salary excluding vacation bonus. The Board fee pertains to the fee for the meeting year from May 2019 up to and including April 2020.

<sup>2)</sup> 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.

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

<sup>4)</sup> 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.

### Remuneration to Ratos's Board and senior executives 2018

SEKm	Board fee/basic salary <sup>1)</sup>	Variable remuneration <sup>2)</sup>	Other benefits <sup>3)</sup>	Pension costs	Total	Pension commitments
Per-Olof Söderberg, Chairman of the Board	1.1	–	–	–	1.1	–
Annette Sadolin, 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	6.9	1.1	0.4	2.1	10.6	–
Other senior executives <sup>4)</sup>	16.1	3.2	1.1	5.1	25.6	–

<sup>1)</sup> Basic salary excluding vacation bonus. The Board fee pertains to the fee for the meeting year from May 2018 up to and including May 2019.

<sup>2)</sup> Variable remuneration refers to bonuses attributable to 2018. 50% to be paid in 2019 and 50% in 2020. Variable remuneration also includes subsidies on warrants.

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

<sup>4)</sup> Refers to eight people who were members of the management group in 2018, five of whom for part of the year. As of 31 December 2018, the number is six. The amounts also include remuneration for two people who resigned during the year, and one person who resigned in January 2019. The amounts include remuneration during the period of notice for these three individuals.

#### 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.

## Note 7, cont.

### Call options issued in 2015–2017

Holding <sup>1)</sup>	Issued 2015, Number		Issued 2016, Number		Issued 2017, Number		Benefit, SEKm	
	2019	2018	2019	2018	2019	2018	2019	2018
Chairman of the Board <sup>2)</sup>	–	–	–	–	–	–	–	–
Other Board members <sup>2)</sup>	–	–	–	255,000	–	–	–	–
Jonas Wiström, CEO <sup>2) 3)</sup>	–	–	–	260,000	–	–	–	–
Other senior executives	–	10,000	3,000	23,000	20,000	45,000	–	–

<sup>1)</sup> Relates to own and related parties' holdings, including any overallotment.

<sup>2)</sup> 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.

<sup>3)</sup> 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 2007–2017

SEKm	Proceeds received upon redemption		Benefit	
	2019	2018	2019	2018
Board of Directors	–	–	–	–
CEO and other senior executives	–	0.2	–	–

### Warrants and call options issued by Ratos

	31 Dec 2019				31 Dec 2018			
	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	429,811	429,811	1,732,100	1,732,100			2,318,000	2,318,000
Issued	518,700	518,700			515,472	515,472		
Repurchased					–85,661	–85,661		
Expired <sup>1)</sup>			–574,500	–574,500			–585,900	–585,900
<b>Outstanding at end of period</b>	<b>948,511</b>	<b>948,511</b>	<b>1,157,600</b>	<b>1,157,600</b>	<b>429,811</b>	<b>429,811</b>	<b>1,732,100</b>	<b>1,732,100</b>
of which, redeemable	0				0			

<sup>1)</sup> The exercise price for the call options was SEK 48.5 per share (56.9). The share price when the options expired was SEK 19.2 (33.1).

### Disclosures on warrants issued during the period

Each warrant carries entitlement to purchase one share.

	2019	2018
Maturity date	14 June 2024	8 June 2023
Taxable benefit including social security costs, SEKm	2.7	2.2
Total payments to Ratos if shares acquired, SEKm	17.5	15.6

## 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 2019		31 Dec 2018	
				No. of options	Corresponding no. of shares	No. of options	Corresponding no. of shares
20 March 2019	7.30	48.50	1.00			574,500	574,500
20 March 2020	6.50	51.20	1.00	462,100	462,100	462,100	462,100
19 March 2021	4.80	40.70	1.00	453,000	453,000	453,000	453,000
18 March 2022	4.50	42.80	1.00	242,500	242,500	242,500	242,500
				<b>1,157,600</b>	<b>1,157,600</b>	<b>1,732,100</b>	<b>1,732,100</b>
Maximum increase in number of shares in relation to outstanding shares at end of period					0.4%		0.5%

The cash amount that Ratos may receive on exercise of outstanding options amounts to SEK 52m (81).

### Option terms for outstanding warrants<sup>1)</sup>

Maturity date	Option price, SEK per option	Exercise price, SEK per share	Right to purchase no. of shares	31 Dec 2019		31 Dec 2018	
				No. of options	Corresponding no. of shares	No. of options	Corresponding no. of shares
8 June 2023	3.30	36.22	1.00	429,811	429,811	429,811	429,811
14 June 2024	3.93	33.81	1.00	518,700	518,700		
				<b>948,511</b>	<b>948,511</b>	<b>429,811</b>	<b>429,811</b>
Maximum increase in number of shares in relation to outstanding shares at end of period					0.3%		0.1%

<sup>1)</sup> As the warrants are being offered free of charge to participants, they will receive a benefit corresponding to the market value of the warrant at the date of the allotment (option premium). The net expense for participants, after subsidies, will be approximately 50% of the taxable benefit.

### 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 241m (183). During the year, the Group's earnings were affected by SEK -77m (-24) relating to synthetic option liabilities.

## Note 8 Fees and disbursements to auditors

SEKm	Group		Parent company	
	2019	2018	2019	2018
<b>Senior Auditor <sup>1)</sup></b>				
Audit assignment	18	16	3	2
Audit-related activities in addition to audit assignment	1	1	0	0
Tax advice	1	1		
Other services	0	0		
<b>Total fee to EY</b>	<b>20</b>	<b>18</b>	<b>3</b>	<b>2</b>
<b>Other auditors</b>				
Audit assignment	1	7		
<b>Total fee to auditors</b>	<b>21</b>	<b>26</b>	<b>3</b>	<b>2</b>

<sup>1)</sup> PwC was the Senior Auditor for the 2018 financial year and EY for the 2019 financial year.

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.