

# Annual remuneration report 2022

## Introduction

This report describes how the principles of remuneration for senior executives at Arjo, adopted by the Annual General Meeting 2022, were implemented in 2022. The report also provides information on remuneration to the CEO and a summary of Arjo's application of the performance criteria for awarding variable cash remuneration.

The report has been prepared in accordance with the Swedish Companies Act and the Remuneration Rules issued by the Swedish Corporate Governance Board.

Further information on executive remuneration is available in note 3 (Personnel) on pages 88–90 in the 2022 Annual Report. Information on the work of the Remuneration Committee in 2022 is set out in the Corporate Governance Report available on pages 69–70 in the annual report 2022.

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 3 on page 88–90 in the Annual Report 2022. This information can also be found as an appendix to this report.

## Key developments 2022

The CEO summarizes Arjo's overall performance in his statement on pages 6–8 of the 2022 Annual Report.

## Arjo's principles for remuneration of senior executives: 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 is able to recruit and retain qualified personnel. The basic principle is that remuneration and other terms and conditions of employment for senior executives shall be based on market conditions and be competitive in all markets where Arjo operates, to ensure that competent and skillful employees can be attracted, motivated and retained.

Individual levels of remuneration shall be based on experience, competence, responsibility and performance and be market-conforming in the country in which the senior executive is employed.

The CEO of Arjo has during 2022 received the following remuneration components; base salary, short term incentive (based on EBITDA, working capital and sustainability), long term incentive (based on EPS), benefits and pension contributions.

The principles of remuneration of senior executives are found on pages 88–90 in the annual report 2022.

## Description of significant changes to the guidelines and consideration of the opinions of the shareholders

During 2022, the company has complied with the applicable remuneration guidelines adopted by the general meeting. No deviations from the principles have been decided and no derogations from the procedure for implementation of the principles have been made. No opinions on the remuneration guidelines were presented.

## Share-based remuneration

Arjo does not have long-term share-based incentive plans.

## Application of performance criteria

The performance measures for the CEO's variable remuneration have been selected to deliver the Arjo strategy and to encourage behavior that is in the long-term interest of the Arjo. In the selection of performance measures, the strategic objectives and short-term and long-term business priorities for 2022 have been taken into account.

## Arjo long-term incentive program (LTIP)

The Arjo Board decided to introduce three-year long-term incentive programs in 2020, 2021 and 2022. The programs are cash-based and encompass 50–55 participants. The incentive program is an addition to the annual base and variable salary.

## Objective

The incentive programs are targeted and have a long-term content. The aim of the programs is to strengthen commitment and reward and retain key leaders and employees who can exercise the greatest influence over Arjo's mid and long-term performance.

## Goal

Each program extends for three years and remuneration may total a maximum of four monthly salaries per program. The calculation of outcome excludes the Group's exceptional items and impact of any acquisitions and divestments.

## Outcome and payment

The outcome of the programs are calculated every year and accumulated over the three-year period. Any outcome for the program that started in 2020 will be paid in 2023 provided that the participant remains employed at the company on the payment date.

**Table 1 – Total remuneration of the CEO (SEK)**

Table 1 below sets out total remuneration expenses for Arjo's CEO during 2022, 2021, 2020, 2019 and 2018 (SEK).

Name of Director, position	Fiscal year	Fixed remuneration		Variable remuneration		Extraordinary items	Pension expenses	Total remuneration	Proportion of fixed/variable remuneration
		Basic pay	Other benefits	One-year variable	Multi-year variable				
Joacim Lindoff CEO	2022	9,103,500	151,954	446,250	0 <sup>2)</sup>	0	2,677,500	12,379,204	96/4
	2021	8,618,999	1,171,304 <sup>1)</sup>	6,800,000	2,925,795	0	2,550,000	22,066,098	56/44
	2020	8,130,000	1,082,492 <sup>1)</sup>	6,426,000	2,258,678	0	2,409,750	20,306,920	57/43
	2019	7,803,000	239,709 <sup>1)</sup>	650,000	0	0	2,295,000	10,987,709	94/6
	2018	7,472,499	655,204 <sup>1)</sup>	3,465,890	420,517	0	2,241,750	14,255,860	73/27

1. Including variable vacation pay, but excluded from 2022.

2. Vested amount for 2022 from Arjo LTI programs 3–5, of which SEK 0 to be paid during 2023.

**Table 2a - Performance of the CEO in the reported fiscal year**

Set out in Table 2a below is a description of how the criteria for payment of variable short-term compensation have been applied during the fiscal year.

Name of Director, position	Description of the criteria related to the remuneration component	Relative weighting of the performance criteria	a) Measured performance
			b) Actual award/remuneration outcome
Joacim Lindoff CEO	Adjusted earnings before interest, tax depreciation and amortization (EBITDA) <sup>1)</sup>	65%	a) SEK 1,744 M b) SEK 0
	Working Capital (R12)	25%	a) 137 days b) SEK 0
	Sustainability CO <sub>2</sub> reduction	5%	a) 3,029 tons CO <sub>2</sub> b) SEK 223,125
	Sustainability SBT implementation	5%	a) Implementation step completed b) SEK 223,125

1. Adjusted for exceptional items and translated at last year's exchange rates.

**Table 2b - Performance of the CEO in the reported fiscal year**

Set out in Table 2b below is a description of how the criteria for payment of variable long-term compensation have been applied during the fiscal year.

Name of Director, position	Description of the criteria related to the remuneration component	Relative weighting of the performance criteria	a) Measured performance
			b) Actual award/remuneration outcome
Joacim Lindoff CEO	Earnings per share (adjusted EPS) 2022 <sup>2)</sup> ; Target 2.42 (Program 3 2020–2022)	33.3%	a) SEK 1.80 b) SEK 0 (earned)
	Earnings per share (adjusted EPS) 2022 <sup>2)</sup> ; Target: 2.8 (average) (Program 4 2021–2023)	33.3%	a) SEK 1.86 b) SEK 0 (estimated)
	Earnings per share (adjusted EPS) 2022 <sup>2)</sup> ; Target 3.39 (average) (Program 5 2022–2024)	33.3%	a) SEK 1.80 b) SEK 0 (estimated)

2. Adjusted for exceptional items and translated at last year's exchange rates.

**Comparative information on the change of remuneration and Arjo's performance**

Table 3 - Change of remuneration and Arjo's performance over the last five reported fiscal years (RFY)

Annual change	2019 vs 2018	2020 vs 2019	2021 vs 2020	2022 vs 2021	2022
Joacim Lindoff, CEO	SEK -3,268,151	SEK +9,319,211	SEK +1,759,178	SEK -9,686,894	SEK 12,379,204
<b>Arjo's performance</b>					
Group operating profit	SEK +178 M	SEK +195 M	SEK +211 M	SEK -386 M	SEK 691 M
Group net sales	SEK +708 M	SEK +102 M	SEK -8 M	SEK +909 M	SEK 9,979 M
<b>Average remuneration on a full-time equivalent basis of employees</b>					
Arjo employees <sup>3)</sup>	SEK +50,811	SEK +72,653	SEK +112,311	SEK -62,205	Average total remuneration is SEK 924,394 for 2022
Arjo employees <sup>4)</sup>					
Actual number	173 vs 150	179 vs 173	192 vs 179	206 vs 192	206 employees

3. The average remuneration of a full-time equivalent for RFY 2018, 2019 includes all employees in Sweden (excluding the Management Team), annual base salary during 2018, 2019, pension contributions during 2018, 2019 and actual variable pay paid out during 2018, 2019 but it relates to performance for the preceding year according to Arjo STIP Plan.

4. The average remuneration of a full-time equivalent for RFY 2020 and in the future includes all employees in Sweden (excluding the Management Team) annual base salary during the year, pension contributions for the year and target of variable pay for the year since it is not yet calculated and paid out.