

Remuneration report 2022 AQ Group AB

Introduction

This remuneration report describes how the guidelines for remuneration to senior executives of AQ Group AB, adopted by the Annual General Meeting (AGM) 2022, were applied during 2022. The report also contains information on remuneration to the CEO. The report has been prepared in accordance with the Swedish Companies Act and the Swedish Corporate Governance Board Rules on remuneration to senior executives and on incentive programs.

Further information on remuneration to senior executives can be found in Note 10 on pages 67-68 of the Annual Report for 2022. Information about the remuneration committee's work in 2022 can be found in the corporate governance report on pages 32-37 of the Annual Report for 2022. Board fees are not covered by this report. Such fees are resolved annually by the Annual General Meeting and are reported in Note 10 and in the Corporate Governance Report in the Annual Report for 2022.

Key developments 2022

The CEO summarizes the company's overall results in his statement on page 6-7 of the Annual Report 2022. Further information on the significant events for the year can be found on pages 38-43 of the Annual Report for 2022.

The AGM 2022 resolved to establish a long-term incentive program for senior executives (not the board of directors) in AQ Group with a directed new issue of warrants, with deviation from the shareholders' preferential rights, of maximum 155,000 warrants. With this incentive program, the reward is tied to the company's future development of results and value creation.

The company's remuneration guidelines: scope, purpose and deviations 2022

Successful implementation of the company's business strategy and the safeguarding of the company's long-term interests, including sustainability, presupposes that the company can recruit and retain qualified employees. AQ Group shall therefore have the remuneration levels and terms of employment required to ensure the company's access to executives with the necessary competence and capacity to achieve set goals and costs adapted to the company. AQ Group shall maintain the remuneration levels and other employment conditions to ensure that the company can recruit and retain the necessary executives to reach long- and short term goals, to support the business strategy and contributes to sustainability. The remuneration may consist of the following components: fixed salary, variable remuneration, pension and other benefits and share and share-price related incentive programs. Where variable remuneration is offered, they shall have a fixed ceiling amount and be linked to predetermined and clearly set measurable target criteria with the aim of promoting the company's business strategy, sustainability and long-term value creation. All share and share-price related incentive programs should be decided by the AGM. The guidelines can be found on page 35 of the Annual Report for 2022 and on the company's website www.aqgroup.com/AnnualGeneralMeeting.

In 2022, the Company followed the applicable remuneration guidelines for the CEO adopted by the

General Meeting. No deviations from the guidelines have been made and no deviations have been made from the decision-making process to be applied in order to determine the remuneration. The auditor's opinion on the company's compliance with the guidelines is available on the company's website [www.aqgroup.com/Annual General Meeting](http://www.aqgroup.com/Annual%20General%20Meeting). No compensation has been claimed back.

Remuneration of the Board of Directors

None of the members of the Board of Directors is employed by the company, any other company in the Group or acts as an advisor to any of these companies. The members of the Board of Directors are therefore not entitled to any form of employment-related remuneration in the form of salaries, remuneration, financial compensation or other benefits that are not related to their work on the Board. The members of the Board of Directors are also not entitled to any pension benefits. Board members do not receive the company's shares as remuneration and they do not participate in the company's incentive program. Fees paid to the Board of Directors for 2022 are shown in the Company's Annual Report 2022 in Note 10. The fees have been paid in cash and there has been no obligation to acquire the company's shares.

Remuneration and meeting fees to the Board of Directors from 2022 not yet paid

There are no remunerations from 2022 to be paid to board members.

Remuneration to the CEO

Remuneration to the CEO consists of fixed elements (base salary, benefits, insurance, pension) that provide a basic level of remuneration for the reliable and consistent implementation of the AQ Group operating strategy, and enable the CEO to concentrate on performing his duties. Variable parts of the remuneration (incentive program/bonus) emphasize performance-based remuneration and focus on the achievement of both the short- and long-term goals of AQ Group. Through the warrant based incentive program the reward is tied to the company's future development of results and value creation.

Table 1 - Total remuneration to the CEO 2022 (TSEK)

	1 Fixed remuneration		2 Variable remuneration		3	4	5	6
	Base salary	Other benefits	One-year variable	Extraordinary items				
2022: James Ahrgren, CEO	2 047	5	604	-	600	3 255	81/19	
2021: James Ahrgren, CEO	1 254	4	1 176	-	378	2 812	58/42	
2021: Anders Carlsson, CEO	2 026	49	393	-	519	2 987	87/13	
2021: Total	3 280	53	1 569	-	897	5 799	73/27	

Basic salary refers to the annual fixed salary including holiday pay.

Variable remuneration refers to annual bonuses whose outcome is based on target fulfilment of profit margin before tax (EBT) % and inventory turnover for the Group as a whole during the year. The variable bonus compensation is capped at 100% of the annual base salary.

Benefits to the CEO consist of car and health benefits during 2021 and only health benefits during 2022. Compensation for pensions includes the cost of health insurance.

Pensions have been fully recognised as fixed remuneration.

Anders Carlsson left his position as President and CEO on March 31, 2021 and James Ahrgren started as President and CEO on April 1, 2021. Benefits during the notice period including benefits and pension provision continued under the same conditions as before until the adjusted end date September 14, 2021 and regards variable remuneration, pro rata was paid for the period January-March 2021.

Remuneration to the CEO from 2022 not yet paid

The variable remuneration for 2022 is paid after the 2022 financial year is closed and audited.

Share based remuneration

Outstanding and completed share and share-price related incentive programs

The Annual General Meeting of 2022 resolved to introduce a long-term incentive program for the managing director, senior executives and other key personnel in the Group consisting of warrants. At the end of 2022 financial year there is one outstanding warrant program (TO 2022/2025). There is no completed share or share-price related incentive programs. The current number of outstanding warrants and other significant terms and conditions are communicated in the Annual Report, Note 10 (page 68) and in quarterly reports from the company. The warrant program is three years and mean that the participants are given the opportunity to acquire warrants at a market price for exercising to shares during the period May 12 to June 10, 2025. The exercise price is set at SEK 351.20 per share. There is no subsidy, performance condition nor retention period connected to the program. AQ has no obligation to repurchase the warrants when an employee terminates his/her employment. The holder can redeem the warrants regardless of continued employment in the Group.

Table 2 – Warrant program – Managing director/CEO James Ahrgren

The main conditions of warrant program							Information regarding the reported financial year						
Specification of plan	Performance period	Award date	Vesting date	End of retention period	Exercise period	Exercise price of the share (SEK)	Opening balance	During the year		Closing balance			
							Warrants at the beginning of the year	Warrants awarded	Warrants vested	Warrants subject to a performance condition	Warrants awarded and unvested	Warrants subject to a retention period	Warrants at the end of the year
TO 2022/2025	N/A	2022-05-09	N/A	N/A	2025-05-12 - 2025-06-10	351.20	0	10,000	N/A	N/A	N/A	N/A	10,000

Application of performance criteria

The performance criteria for the CEO's variable remuneration have been chosen to realize the company's strategy and to encourage actions that are in the company's long-term interest. When selecting performance criteria, the strategic goals and short- and long-term business priorities for 2022 have been taken into account. Living up to the company's core values and contributing to increased sustainability of the business is an inherent expectation of the CEO, which is not specifically expressed as a non-financial performance criterion.

Table 3 - CEO's performance during the reported financial year: variable cash remuneration (TSEK)

Description of the criteria related to the variable remuneration component	Relative weighting of the performance criteria	Measured performance / actual award, remuneration outcome (TSEK)	
Consolidated earnings before tax (EBT) % for the year, bonus based on outcome between minimi- and max level, limited to 70% of annual base salary	80%	Over max level/ 6.8%	604
Consolidated inventory turnover (ITO) for the year, bonus based on outcome between minimi- and max level, limited to 20% of annual base salary	20%	Below minimi level / 2.3	0

Comparative information on the change of remuneration and company performance

The table below illustrates and compares the development of the CEO's remuneration with the development of the average remuneration to employees and the company's profit before tax (EBT).

Table 4 - Change of remuneration and company performance over the last five reported financial years

Remuneration and company performance	Change 2018 vs 2017	Change 2019 vs 2018	Change 2020 vs 2019	Change 2021 vs 2020	Change 2022 vs 2021	2022
CEO, total remuneration	+101.1%	+128.9%	+16.8%	+17.8%	-43.8%	3,256 TSEK
Consolidated earnings before tax (EBT) %, change in %	-34.4%	+50.0%	+22.2%	+5.2%	+5.2%	6.8%
Average remuneration on a full time equivalent basis of employees in the Group, excl board, CEO and executive officers, change in %	+3.2%	+10.8%	+2.3%	+6.7%	+11.7%	

In August 2018, a new CEO was appointed who then left his position on March 31, 2021 when a new CEO joined.

AQ Group AB, March 27, 2023

The Board of directors