

# Remuneration report 2021

## Introduction

This report describes how the policy for executive remuneration of Alfa Laval (the company), adopted by the Annual General Meeting, was implemented in 2021. The report also provides details on the remuneration to the CEO. The report has been prepared in accordance with the Remuneration Rules issued by the Swedish Corporate Governance Board and the Swedish Companies Act.

Further information on executive remuneration is available in note 6 (Salaries and remunerations) on pages 155-157 in the annual report 2021. Information on the work of the remuneration committee in 2021 is set out in the corporate governance report and available on pages 96-97 in the annual report 2021.

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 6 on pages 155-157 in the annual report 2021.

## Key Developments 2021

A summary of the company's overall performance can be found in the CEO's Comments on page 6 in the 2021 annual report.

## The Company's remuneration policy, 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 and consequently the company must offer competitive remuneration.

The company's remuneration policy enables the company to offer executives a competitive total remuneration. Under the remuneration policy, executive remuneration shall be on market terms and may consist of the following components: fixed base salary, variable cash remuneration, pension benefits and other benefits. The variable cash remuneration shall be linked to mainly financial criteria. The criteria shall be designed to contribute to the company's business strategy and long-term interests.

The remuneration policy is found in note 37 on pages 183-185 in the annual report 2021. During 2021 the Company has complied with the applicable remuneration policy adopted by the general meeting. No deviations from the policy have been decided and no derogations from the procedure for implementation of the policy have been made. The auditor's report regarding the company's compliance with the policy is available on the company's website <https://www.alfalaval.com/investors/corporate-governance/>. No remuneration has been reclaimed.

Table 1 – Total paid remuneration of the CEO in KSEK in financial year 2021

Name of Director, position	1 Fixed remuneration		2 Variable remuneration		3 Extraordinary items <sup>2</sup>	4 Pension expense <sup>3</sup>	6 Total remuneration <sup>4</sup>	7 Proportion of fixed and variable remuneration <sup>5</sup>
	Base salary	Other benefits <sup>1</sup>	STI One-year variable	LTI Cash based multi-year variable				
Tom Erixon, CEO	14 420	918	6 300	5 834	0	7 271	34 743	65% fixed 35% variable

<sup>1</sup> Includes the value of company car, taxable daily allowances, holiday pay, payment for vacation taken in cash, life, disability and healthcare insurance.

<sup>2</sup> Voluntary salary reduction due to COVID-19

<sup>3</sup> Includes a defined contribution pension contribution of 50% of base salary, survivor's benefit

<sup>4</sup> Excluding social security

<sup>5</sup> Fixed remuneration including fixed pension costs, Variable remuneration including variable pension costs

## Share based remuneration

The company does not have any shared-based or share price-based related incentive programs.

## 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 behavior which is in the long-term interest of the company. In the selection of performance measures, the strategic objectives and short- and long-term business priorities have been taken into account.

Table 2a – Performance of the CEO paid out in the reported financial year 2021; short term variable cash remuneration.

Name of director (position)	Description of the criteria related to the remuneration component	Relative weighting of the performance criteria	Actual award/outcome KSEK (paid out in 2021) and measured performance.
Tom Erixon (CEO)	Orders Received	25%	0 (0 %)
	Adj EBITA (% of net sales)	60%	5 040 (36%)
	ROCE (%)	15%	1 260 (9%)

Table 2b - Performance of the CEO paid out in the reported financial year 2021; long term variable cash remuneration.

Name of director (position)	Description of the criteria related to the remuneration component	Relative weighting of the performance criteria	Actual award/outcome KSEK (paid out in 2021) and measured performance.
Tom Erixon (CEO)	Adjusted EBITA margin %	50%	3 500 (100%)
	Net Sales Growth % (also called net invoicing growth %)	50%	2 334 (66,67%)

## Comparative information on the change of remuneration and company performance

Table 3 – Change of remuneration and company performance over the last reported financial years (RFY) (KSEK). 2020 was the first reference-year and therefore no year over year changes for the previously reported financial years, except for 2019, will be presented.

Annual change	RFY vs RFY1 2020 vs 2019	RFY (2020)	2021 vs 2020
<b>Directors Remuneration</b>			
Tom Erixon, CEO	+3 817 (+14.4%)	30 409	+ 4 334 (+14,3%)
<b>Company Performance</b>			
Net invoicing Growth	-5 049 (-10.9%)	41 468	-557 (-1,3 %)
Adjusted EBITA % of net sales	+0.2 (+1.16%)	17.4 %	+/- 0
<b>Average remuneration on a fulltime equivalent basis of Employees</b>			
Employees of the company <sup>1</sup>	+29 (+4,5%)	662	+29 (+4,4%)

<sup>1</sup> The companies in Sweden, excl executive management. The figures for 2020 have been corrected for the impact of work time reduction government grants.