

Remuneration report 2022

Introduction

This report describes how the guidelines for executive remuneration of Epiroc AB, adopted by the Annual General Meeting 2020, were implemented in 2020. The report also provides information on remuneration to the President and CEO and a summary of the company's outstanding share-related and share price-related incentive plans. 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 5 (Employees and personnel expenses) on pages 104-106 in the Annual Report 2022. Information on the work of the remuneration committee in 2022 is set out in the corporate governance report available on page 68 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 5 on pages 103-104 in the Annual Report 2022.

Key developments 2022

The President and CEO summarizes the company's overall performance in her statement on page 6 in the Annual Report 2022.

The company's remuneration guidelines: 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. To this end, it is necessary that the Company offers competitive remuneration. The company's remuneration guidelines enable the company to offer executives a competitive total remuneration. The remuneration may consist of a base salary, annual variable compensation, pension contributions and additional benefits and shall be on market terms. The variable cash remuneration shall be linked to criteria that can be financial or non-financial. The financial goals may be in relation to, for example, value creation, development of revenues, operating profit or working capital. The goals may be individualized, quantitative or qualitative objectives. The objective with the variable cash remuneration is to promote the fulfillment of annual short term goals in line with the Company's business strategy and long-term interests, including its sustainability.

The guidelines are found on pages 105-106 in the Annual Report 2022. The remuneration guidelines, adopted by the annual general meeting 2020, have been fully implemented. No deviations from the guidelines have been decided and no derogations from the procedure for implementation of the guidelines have been made. The auditor's report regarding the company's compliance with the guidelines is available on the Company's website. No remuneration has been reclaimed. No comments have been made by any shareholder in connection with the general meeting's coverage of the previous remuneration report. In addition to remuneration covered by the remuneration guidelines, the annual general meetings of the company have resolved to implement long-term share-related incentive plans.

Table 1 – Total President and CEO remuneration in 2022 (KSEK)

Name of director (position)	Fixed remuneration		Variable remuneration			Extraordinary items	Pension expense	Total remuneration	Proportion of fixed and variable remuneration **** of which fixed / of which variable		
	Base salary	Other benefits*	One-Year variable**	Multi-year variable***							
Helena Hedblom (President and CEO)	11,448	115	5,896	5,097		0	3,434	25,990	58%	/	42%

*Company car and medical insurance.

**The one year variable compensation is the amount accrued during 2022 and will be paid out in 2023.

*** Relates to estimated award of employee stock options in the LTI plan 2022. Value according to the Black & Scholes model fair value per option as used in Annual Report 2022.

****Pension expense which in its entirety relates to base salary and is a defined contribution plan has been counted for entirely as fixed remuneration.

Share-based remuneration

Outstanding share-related and share price-related incentive plans

The Company introduced a performance based employee stock option plan for 2022 directed to a maximum of 140 key employees in Epiroc, including Senior Executive Management. The final number of options issued depends on the value increase expressed as Economic Value Added of Epiroc during 2022. In an interval of MSEK 750 the issue varies linear from zero to 100% of the maximum number of options. The term of the options is seven years from granting and the options are non-transferable. The options are exercisable earliest three years from granting and the right to exercise only applies during the period a person has a continuous status as employee. The exercise price corresponds to 110% of the average of the closing rates on Nasdaq Stockholm of Epiroc's Class A shares during a period of ten business days following the date of the publishing of the fourth quarter and year-end report for 2022. As prerequisite for the participation of Senior Executive Management implies that they have invested a maximum of 10% of their respective base salary for 2022, before tax, in A shares of the Company. In addition to the proportional participation in the plan, the executive gets for each share acquired a right (a "matching option") to acquire a share three years after the investment year until expiration, at a price of 75% of the market value upon which the exercise price for the options in the 2022 plan was based. All subject to continued employment and continued ownership of the shares.

The Company has earlier implemented similar plans for 2018 -2021 and the performance based employee stock option plans in Atlas Copco for the years 2016-2017 were in accordance with their terms split between Atlas Copco and the Company in connection with the distribution and listing of the Company on Nasdaq Stockholm. These plans are in all material aspects similar to the Company's performance based employee stock option plan for 2022. For all the plans, 2016-2022, a total maximum of 7,745,888 shares could be delivered to employees, corresponding to approximately 0.6% of the total number of shares in the Company. Further information about the plans 2016-2022 is disclosed in note 25 in the Annual Report 2022.

For the participation in the 2022 plan, the President and CEO, Helena Hedblom, invested in 6,098 A shares and was granted 122,964 performance options and 6,098 matching options. For the participation in the unvested plans, for the years 2020 and 2021, the President and CEO, Helena Hedblom, has invested in 14,853 A shares and have been awarded 212,064 options (197,075 performance options and 14,989 matching options) and the former President and CEO, Per Lindberg, has invested in 10,392 A shares and have been awarded 113,046 options (102,497 performance options and 10,549 matching options). Per Lindberg's options vested in 2022 and he no longer has any unvested awards.

Table 2 – Share option plans (President and CEO)

The main conditions of the plan								Information regarding the reported financial year					
Name of director (position)	Name of plan	Performance period	Award date	Vesting date	End of retention period	Exercise period	Exercise price	Opening balance	During the year			Closing balance	
								Share options held at beginning of year*	Share options awarded **	Share options vested ***	Share options subject to performance condition	Share options awarded and unvested	Share options subject to retention period
Helena Hedblom (President and CEO)	2019	2019	2019-05-01	2022-05-01	2022-05-01	2022-05-01 - 2026-04-30	127.85	28,634	0	28,634	0	0	0
	2019	n/a	2019-05-01	2022-05-01	2022-05-01	2022-05-01 - 2026-04-30	87.17	3,929	0	3,929	0	0	0
	2020	2020	2020-05-01	2023-05-01	2023-05-01	2023-05-01 - 2027-04-30	179.91	49,585	0	0	0	49,585	0
	2020	n/a	2020-05-01	2023-05-01	2023-05-01	2023-05-01 - 2027-04-30	122.66	9,138	0	0	0	9,138	0
	2021	2021	2021-05-01	2024-05-01	2024-05-01	2024-05-01 - 2028-04-30	218.06	147,490	0	0	0	147,490	0
	2021	n/a	2021-05-01	2024-05-01	2024-05-01	2024-05-01 - 2028-04-30	148.68	5,851	0	0	0	5,851	0
	2022	2022	2022-05-01	2025-05-01	2025-05-01	2025-05-01 - 2029-04-30	tbd	0	122,964	0	0	122,964	0
	2022	n/a	2022-05-01	2025-05-01	2025-05-01	2025-05-01 - 2029-04-30	tbd	0	6,098	0	0	6,098	0
Total								244,627	129,062	32,563	0	341,126	
Per Lindberg (former President and CEO)	2019	2019	2019-05-01	2022-05-01	2022-05-01	2022-05-01 - 2026-04-30	127.85	102,497	0	102,497	0	0	0
	2019	2019	2019-05-01	2022-05-01	2022-05-01	2022-05-01 - 2026-04-30	87.17	10,549	0	10,549	0	0	0
Total								113,046	0	113,046	0	0	

*In 2022, no changes occurred regarding 2020-2021 plans.

**In 2022, the current President and CEO was awarded 129,062 options (122,964 performance options and 6,098 matching options). The expected grant value of the award in 2022 at the time of the decision in AGM was 4,964 ksek. At the end of the year, the aggregate expected value of the 2022 award was 5,097 ksek based the value according to the Black & Scholes model fair value per option as used in Annual Report 2022.

***The aggregate expected value of the options at the time of vesting of the 2019-plan was 3,231 KSEK based on value according to the Black & Scholes model fair value per option value used in Q1 2022 report (valuation date closest to vesting date).

Application of performance criteria

The performance measures for the President and 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 objective with the variable cash remuneration is to promote the fulfillment of annual short term goals in line with the Company's business strategy and long-term interests, including its sustainability. The Board of Directors has the authority to exercise discretion in the final outcome payable depending upon progress of the company's performance towards the 2030 Sustainability goals. Due to the negative trend in safety, the outcome was reduced somewhat, and this was applied for the whole group management team.

Table 3(a) - Performance of the President and CEO in the reported financial year: variable cash remuneration

Name of director (position)	Description of the criteria related to the remuneration component	Relative weighting of the performance criteria	Measured performance	Actual award/ remuneration outcome***
Helena Hedblom (President and CEO)	Operating profit (OPR)*	64.3%	11,755	100%/5,102 KSEK
	Net Working Capital	21.4%	31.3%	0%/ 0 KSEK
	Individual target**	14.3%	70%	70%/794 KSEK

* Excl. changes in provisions for the share based long term incentive plans.

**This is a strategic target where the Remuneration Committee and the Board evaluated the performance based on measurable factors

***The board has the authority to exercise discretion in the final outcome related to progress of the company's performance towards the 2030 Sustainability goals. After the evaluation it was decided to reduce the total outcome somewhat, due to the negative trend in safety. The reduction is reflected in the actual award (above).

Table 3(b) - Performance of the President and CEO in the reported financial year: share-based incentives

Name of director (position)	Name of plan	Description of the criteria related to the remuneration component	Relative weighting of the performance criteria	Measured performance	Actual award/ remuneration outcome*
Helena Hedblom (President and CEO)	2022	Economic Value Added 2022**	100%	5,900 MSEK	100% / 5,097 KSEK

*The aggregate value of the remuneration outcome after performance adjustment is the value according to the Black & Scholes model fair value per option as used in Annual Report 2022.

** Excl. changes in provisions for the share based long term incentive plans.

Comparative information on the change of remuneration and company performance

Table 4 – Change of remuneration and company performance over the last four reported financial years (KSEK unless otherwise stated)

	2020 vs. 2019	2021 vs. 2020	2022 vs. 2021	2022
President and CEO Remuneration				
Helena Hedblom*	n.a n.a	14,526 (+107%)	-2,175 (-8%)	25,990
Per Lindberg**	-19,120 (-88%)	n.a (n.a)	n.a (n.a)	n.a
Total	-5,481 (-25%)	11,966 (+74%)	-2 175 (-8%)	25 990
Total Shareholder Return (TSR)	-6% (-15%)	24% (+71%)	-73% (-128%)	-16%
Economic Value Added (EVA)***	-1,092,000 (-26%)	1,335,000 (+42%)	1,411,000 (+31%)	5,900,000
Operating profit (OPR)***	-849,000 (-10%)	1,617,000 (+22%)	2,657,000 (+29%)	11,755,000
Average remuneration on a full-time equivalent basis of employees****	107 (+11%)	58 (+5%)	26 (+2%)	1,179

* President and CEO from March 1, 2020.

** President and CEO until February 29, 2020.

*** Excl. changes in provisions for the share based long term incentive plans.

**** Employees of the parent company (Epiroc AB) – excl. President and CEO and group management. Remuneration include annual base salary, variable compensation, benefits, pension benefits, LTI 2022 award value and other remuneration paid during 2022.