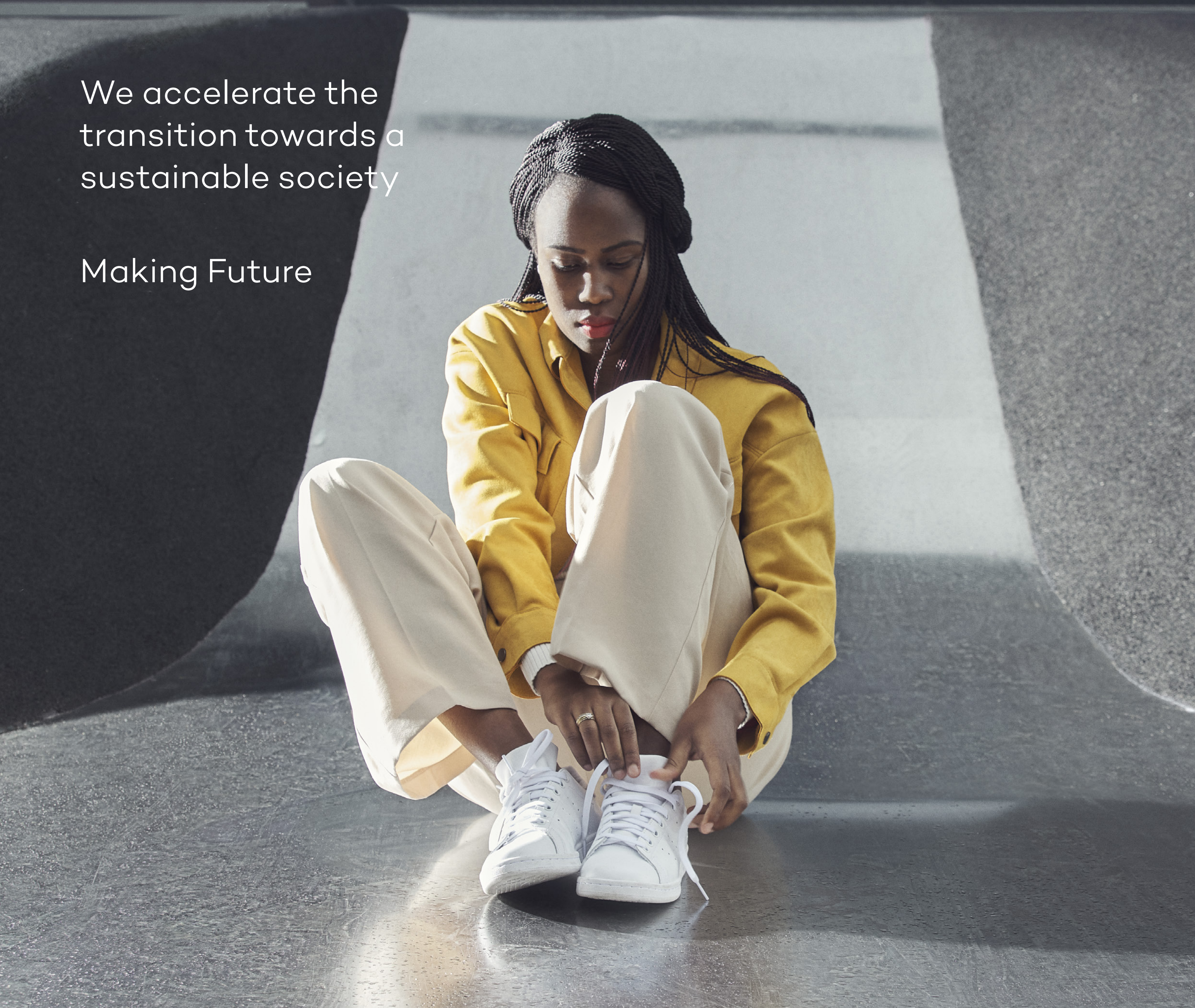
Annual and Sustainability Report 2021

AFRY AB (PUBL)

We accelerate the transition towards a sustainable society

Making Future



AFRY

Contents

About the report

* Limited assured sustainability information
** Reviewed financial information

Sustainability report
The scope of the sustainability report, which also includes AFRY's statutory sustainability report as required by Chapter 6 of the Swedish Annual Accounts Act, can be found on page 118. It has been prepared in accordance with the GRI Standards, Core option, and has been subject to a limited assurance by a third party.

Cover photo:
Prima Gamukama, Compliance & Ethics officer

AFRY at a glance

The ongoing transition in society is increasing the demand for sustainable and digital solutions within all industries and sectors. We are 17,000 devoted experts with focus on engineering, design, and advisory services, creating sustainable solutions for generations to come. We are well positioned to take a leading role in the transition and have a strong emphasis on growth and value creation.

During 2021 we have accelerated our digital offering and brought together leading digital expertise and technologies in the newly established AFRY X division to create a significant digital player in our core markets.

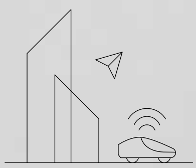
Mission:
We accelerate the transition towards a sustainable society

Vision:
Making Future

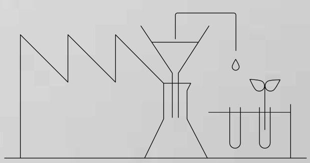
Values:
Brave Devoted Team players

Transforming segments:

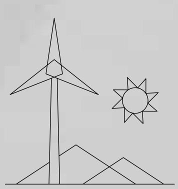
INFRASTRUCTURE



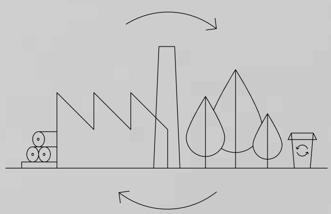
FOOD & LIFE SCIENCE



CLEAN ENERGY



BIOINDUSTRY



2021 was another eventful year for AFRY, characterised by continued increased demand for sustainable and digital solutions, especially in our industrial segments. Organic growth was strong, results were stable, and we announced 18 acquisitions with annual net sales of SEK 1.2 billion. During the year, we continued to develop AFRY's digital offer with our new division AFRY X, invested in structural improvements and continued to implement our system platform.

Strong organic growth and stable results
We delivered a strong growth in 2021 driven by a high demand and strong performances from the Industrial & Digital Solutions, Process Industries and Management Consulting divisions. We have had good growth in the recruitment of consultants and the order stock strengthened during the year.

The adjusted EBITA-margin was in line with last year. A strong results trend had a positive effect on the margin in four of our divisions that target the industry segment. The Infrastructure Division reported lower results compared to 2020 due to uncertain market conditions in the real estate segment, but also due to operational challenges where we now have a comprehensive plan in place, including a cost saving program.

Successful implementation of a new system landscape
The ongoing implementation during 2021 of a modern system landscape is vitally important for AFRY's development, both in terms of driving growth and enabling sustained efficiency enhancements and integration of joint processes. The implementation of our new ERP system is progressing according to plan and is being rolled out in stages. In addition, we have successfully implemented a modern CRM and HR system with global coverage.

Strong focus on growth
To meet higher levels of demand, we have accelerated the pace of recruitment in all divisions and growth through acquisitions. A total of 18 acquisitions have been announced during the year with annual net sales of SEK 1.2 billion. I would like to particularly highlight the acquisitions of MosaicMill and Simosol in Finland, which are world leaders in digital Smart Forestry solutions, as well as Vahanen Group, a Finnish consultancy company with 500 employees focused on the construction and real estate sector. Vahanen will be part of the Infrastructure Division and will further strengthen our Finnish operations.

A leader in digitalisation
AFRY strives to be a leader in industrial digitalisation in the Nordics and to be the main player in applying digital technology in our core sectors. We have strengthened our position in digitalisation in 2021 through both organic growth and strategic acquisitions. On 1 January 2022, AFRY X was established as a new division with around 800 digital experts and approximately SEK 1 billion in net sales. Per Kristian Egseth leads the new division and is part of Group Executive Management. As a next step, we will develop and scale up software services and solutions in IoT, AI, cyber security and design.

Strengthened position for AFRY
During the year, we were awarded several new projects focused on sustainability, for example, with Renewcell to digitalise textile recycling and with Neoen for the analysis and measurement of wind power. To take the next step in AFRY's strategic efforts to accelerate the transition to a sustainable society, Henrik Tegnér was appointed as the new Head of Strategy & Sustainability and is now part of the Group Executive Management. Our focus on digitalisation is also beginning to yield results, with one example being Hitachi ABB Power Grids choosing AFRY's digital twin as they take the next step on their digitalisation journey.

Since the merger of ÅF and Pöyry in 2019, we have worked intensely on strengthening our position and developing our operations. Today, we are a leading player in the bio industry and have a world-leading position in the pulp and paper segment. Thanks to a successful repositioning, the Energy Division has become more profitable, which also applies to Industrial & Digital Solutions Division, where we have improved our position in the automotive business. The Management Consulting Division continues to strengthen its position with strong growth and profitability. Our position is strong in Infrastructure Division, but because of weaker results a systematic improvement programme has been launched.

Cost savings for improved profitability
To improve efficiency and profitability in the Infrastructure Division and to benefit from administrative efficiency improvements in our larger countries, cost savings of SEK 100 million on an annual basis have been identified. Of this amount, approximately SEK 80 million will be directed to Infrastructure and approximately SEK 20 million to administrative functions and processes. The full effect of the cost savings is expected during the second half of 2022.

Active sustainability efforts
We continue to see an increased engagement and demand for sustainable development. The need for a green recovery following the Covid-19 pandemic and the EU's Green Deal and taxonomy will drive investments and accelerate the transition. AFRY is well positioned to take a leading role as an enabler of the sustainability transition in our client projects. Early 2022 we launched the Sustainable Learning Programme for all of our employees, including a mandatory e-learning. The program supports our target to increase the net positive impact through our assignments and our mission to accelerate the transition towards a sustainable society.

I am proud that AFRY achieved platinum status in rating company Ecovadis' evaluation of our sustainability initiatives, which is the highest possible level and a testament to our constant efforts to be among the best. During the year we submitted our science-based targets to the Science Based Targets initiative for validation. We have also accepted and started implementing the recommendations on climate-related financial disclosures that have been developed by an industry-led working

“During the year, we continued to develop AFRY's digital offer with our new division AFRY X, invested in structural improvements and continued to implement our system platform.”

group, the Task Force on Climate-Related Financial Disclosures (TCFD). Our new climate roadmap, AFRY 1.5°C Roadmap describes our climate action and aims to take our climate action to the next level.

Together with partners like Gapminder, the Norrsken Foundation and the Exponential Roadmap Initiative, we highlight the importance of facts and innovation to increase the pace of transition to a sustainable society. We continue to comply with the UN Global Compact, which includes principles of human rights, labour rights, the environment and anti-corruption.

One of Sweden’s most attractive employers
AFRY continue to strengthen its attractiveness. In the latest survey by Universum, in which engineers get the chance to rank the most attractive employers in Sweden, AFRY is among the companies at the top of the list and we are again ranked by Framtidens Forskning as the most attractive employer among Swedish researchers. We have also achieved a relatively even gender balance in our management team (40/60), earning a place on the Allbright Foundation s green list.

Future outlook
The spring has been marked by the war in Ukraine and the very worrying development in Europe. Our immediate focus has been to care for our colleagues in the region by ensuring the safety of our employees during these difficult times. At the time of writing, there is great uncertainty how the war in Ukraine may affect the macroeconomic and trade situation. AFRY evaluates the current operations in Russia, which corresponds to less than 1 percent of AFRY's total net sales in 2021.

Despite the uncertainty that prevails, we continue to see strong drivers to accelerate the transition in society. We are ready to meet the demand with a position and offer stronger than ever. Thank you to our customers, partners and employees for a great collaboration during the year.

Stockholm, March 2022

Jonas Gustavsson
President and CEO

Strong organic growth driven by our industrial segments

2021 was characterised by an increasing demand, particularly in our industry segments. Organic growth was strong, results were stable, and we announced acquisitions with annual net sales of SEK 1.2 billion.

- Net sales amounted to SEK 20,104 million and EBITA excl. items affecting comparability to SEK 1,712 million.
- Increased pace of recruitments and 18 announced acquisitions with annual net sales of SEK 1.2 billion.
- Acceleration of our digital offering with the newly established AFRY X division.
- Ranked as one of the most attractive employers in Sweden by Framtidens Forskning and Universum.
- Taxonomy-eligibility of 48 percent and Platinum status in EcoVadis' evaluation of AFRY's sustainability initiatives.
- Several new assignments from clients such as Vantaa Energy, Vattenfall, Metsä Board, Arla, Boliden and Hitachi ABB Power Grids.

Net sales, SEK million

>20,000

Number of employees

>17,000

Number of countries with projects

>100

Key ratios

	2021	2020
Net sales, SEK million	20,104	18,991
EBITA excl. items affecting comparability, SEK m	1,712	1,635
EBITA margin excl. items affecting comparability, %	8.5	8.6
EBITA, SEK m	1,662	1,509
EBITA margin, %	8.3	7.9
Profit after net financial items, SEK m	1,393	1,196
Basic earnings per share, SEK	9.97	8.29
Net debt, SEK m[1]	3,565	2,756
Net debt/EBITDA, times[1]	1.9	1.6
Net debt-equity ratio, %[1]	32.4	27.5
Total number of employees	17,019	15,871
Capacity utilisation, %	74.7	75.6

[1] Excluding effects of IFRS 16 Leases and items affecting comparability.

See page 37 for current partnerships and initiatives.

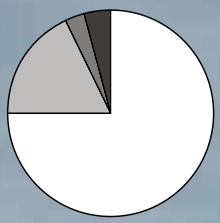
Share of projects

75%

Share of services

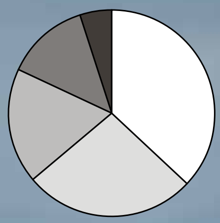
25%

Net sales by region



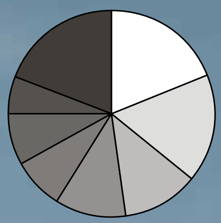
- Nordics 75 %
- Rest of Europe 18 %
- Asia 3 %
- Other 4 %

Net sales by division



- Infrastructure 37 %
- Industrial & Digital Solutions 27 %
- Process Industries 18 %
- Energy 13 %
- Management Consulting 5 %

Net sales by industry segment



- Transport Infrastructure 19 %
- Energy 17 %
- Buildings 12 %
- Bioindustry 11 %
- Life Science, Food & Pharma 8 %
- Automotive and Vehicle 8 %
- Process Industry 6 %
- Other industry 19 %

Private sector

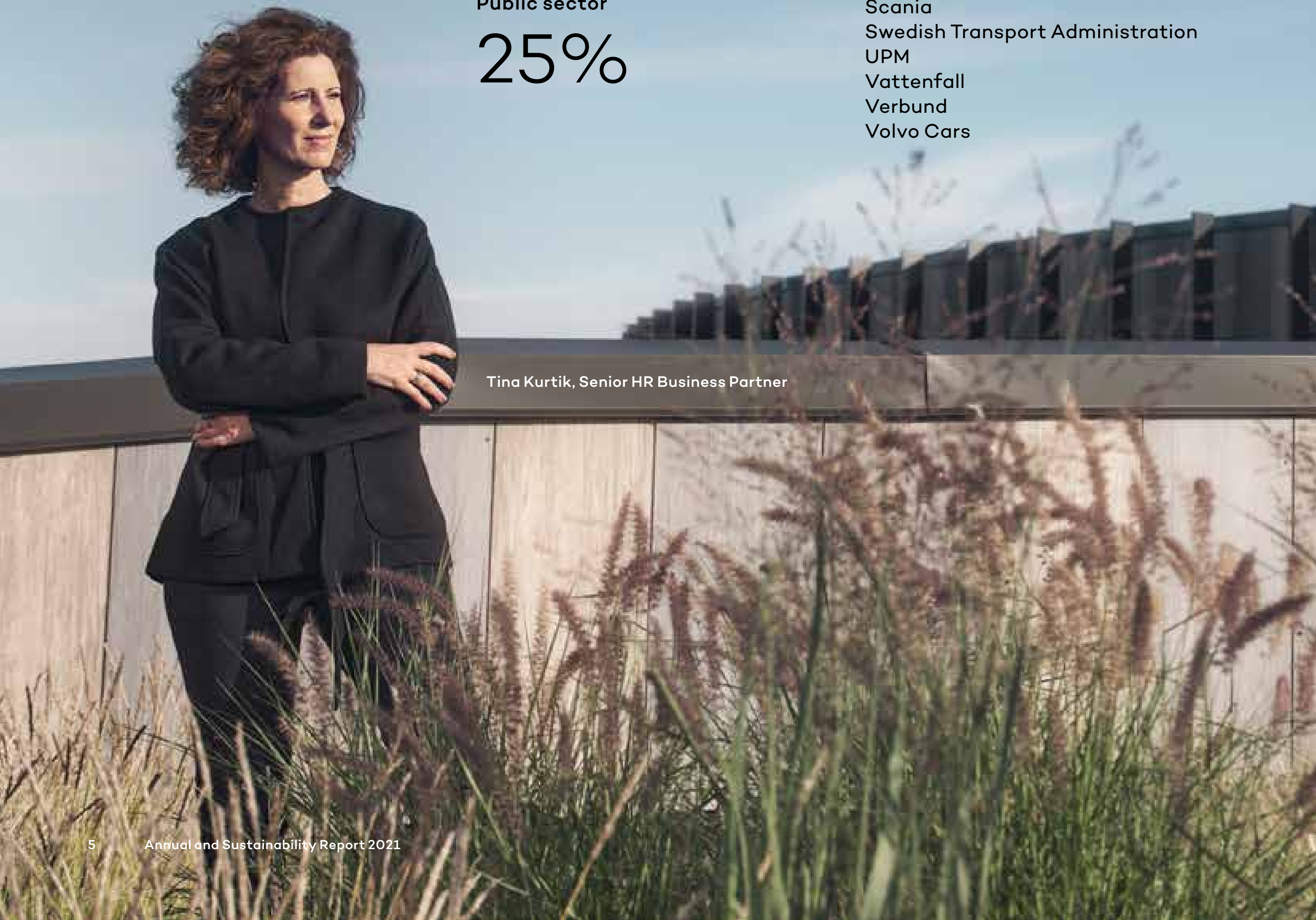
75%

Public sector

25%

Ten largest clients in 2021

Astra Zeneca
Cytiva
Metsä Group
Neste Oil
Scania
Swedish Transport Administration
UPM
Vattenfall
Verbund
Volvo Cars



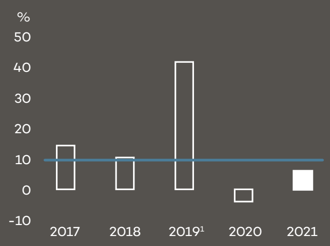
Tina Kurtik, Senior HR Business Partner

A clear vision

AFRY strives for profitable growth to generate long-term value for our shareholders and the society.

Growth

10 percent annual growth including add-on acquisitions.

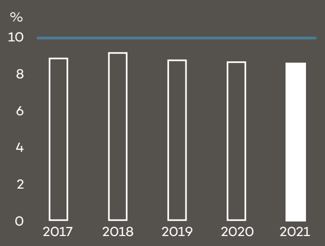


— Target 10%

[1)] Growth including acquisition of Pöyry

EBITA margin[1]

10 percent over a business cycle.

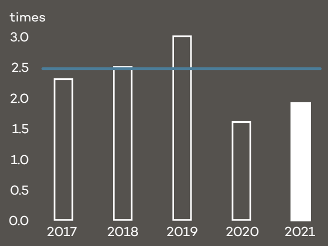


— Target 10%

[1)] Excluding items affecting comparability

Net debt[1]

Net debt/EBITDA 2.5.

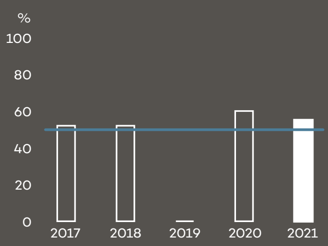


— Target 2.5 times

[1)] Excluding IFRS 16 Leases and items affecting comparability

Dividend

50 percent of profit after tax.



— Policy 50%

Financial targets

The financial targets apply over a business cycle and are continuously evaluated based on market conditions and changes in the company. The financial targets focus on growth, profitability and a strong financial position.

- Annual growth of 10 percent. The target includes add-on acquisitions. Larger platform acquisitions will also be made.
- An EBITA margin of 10 percent (excluding items affecting comparability) over a business cycle.
- Net debt in relation to EBITDA of 2.5.

Dividend policy

The Board of Directors has adopted a dividend policy according to which the dividend corresponds to approximately 50 percent of profit after tax excluding capital gains.

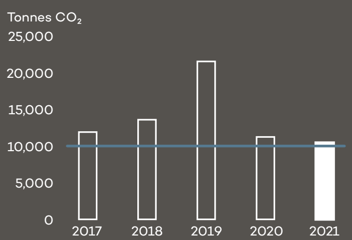
Sustainability targets

The sustainability targets are key elements of the company's strategy. The targets focus on developing sustainable solutions, conducting business responsibly and being an attractive employer.

- Increase the net positive impact through our assignments to accelerate the sustainability transition.
- Halve CO_2 emissions by 2030 and achieve net zero emissions by 2040[1].
- Increase inclusion and diversity of background and culture, including achieving a gender balanced workforce (40 percent female leaders by 2030[2]).
- Safeguard employee occupational health and work-life balance.
- Empower brave leadership.
- Increase employee engagement.
- Increase customer satisfaction.
- Ensure ethical business.

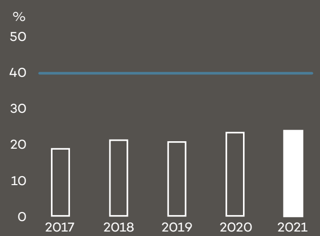
[1] Base year 2019. CO_2 emissions from our own operations (business travel and facility energy usage).
[2] Amongst permanent employees.

CO_2 emissions



— Target 50% reduction by 2030 (base year 2019)

Proportion of female managers[1]



— Goal 40% by 2030

[1] Of all permanent employees

Taxonomy-eligibility

48%

Sustainability e-learning

78%

Training in AFRY's Code of Conduct[1]

97%

Read more about the outcome of the sustainability targets in 2021 and how AFRY is working towards them in the sustainability notes on page 118.

Trends that are increasing the demand for sustainable solutions

Megatrends like urbanisation and demographic shifts, digitalisation and climate change are strong drivers behind AFRY's current and future business. All sectors and industries that we operate in are greatly influenced by these trends and we are well positioned to take a leading role in the current transition and have a strong emphasis on growth and value creation.

Urbanisation and demographic shifts

Today, more than half of the world's population live in urban areas, a share that is expected to increase to nearly 70 percent by 2050. At the same time, cities represent 70 percent of greenhouse gas emissions. Urbanisation and demographic shifts lead to new challenges in urban areas and drive the demand for sustainable solutions. AFRY support clients in search of efficient and sustainable infrastructure, innovative solutions for buildings, resource management and technical advancements within health science to better quality of life.

Digitalisation

Digitalisation is one of the most powerful and universal forces we have at our disposal for driving the transformation towards a sustainable society. Digital technologies are key prerequisites for decorbonisation, smart manufacturing, connected vehicles, intelligent and energy efficient buildings and for smart mobility. AFRY supports clients in this transformation by delivering high value, industry specific software products and digital services. To this end, a new division, AFRY X, has been established where a substantial part of our capacity in digital services within Industrial IoT, Industrial AI, Cyber Security, Service Design and SaaS solutions will be placed.

Climate change

In recent decades, the focus has been on climate change and the measures which are needed to ensure that the rise in the global average temperature does not exceed 1.5°C compared to pre-industrial levels. In the future, challenges arising from extreme weather events, reduced groundwater levels and biodiversity loss will thus become increasingly crucial to deal with. These conditions increase demand for sustainable solutions that reduce climate impact, use resources more efficiently and adapt society to a changing climate. This has encouraged us to innovate new solutions for example in industrial digitalisation, sustainability services including environment and health and safety as well as in overall efficiency including raw-material, energy and water efficiency.

Take-off strategy for growth

AFRY's mission is to accelerate the transition towards a sustainable society and our ambition is to be a European leader in sustainable engineering, design and advisory with a global reach. The strategy describes how we get there and is based on five pillars.

WHO WE ARE

OUR VISION

Making Future

OUR MISSION

We accelerate the transition towards a sustainable society

OUR VALUES

Brave
Devoted
Team players

OUR PEOPLE

Inclusive and diverse teams with deep sector knowledge

OUR AMBITION

A European leader in sustainable engineering, design and advisory with a global reach.

Prima Gamukama,
Compliance & Ethics officer

HOW WE GET THERE →

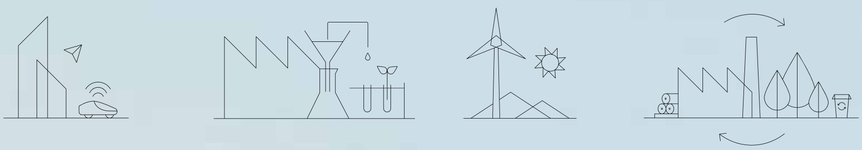
1 Drive growth in targeted geographies – organic and acquired

Read more on page 14

2 Target transforming segments that show secular growth – where we have a strong position in customer value chains

Read more on page 15

INFRASTRUCTURE FOOD & LIFE SCIENCE CLEAN ENERGY BIOINDUSTRY



3 Develop AFRY Digital – a strategic growth platform

Read more on page 22

4 Lead in sustainable solutions to drive impact and growth

Read more on page 24

5 Deliver best in class operations to drive growth and scalability

Read more on page 29

Examples of completed activities in 2021

- Increased focus on digitalisation. AFRY X became a new division effective 1 January 2022.
- Implementation of a new system landscape.
- Accelerated pace of recruitments and acquisitions. 18 acquisitions announced with annual net sales of SEK 1.2 billion.
- Development of Sustainability Learning Programme.
- Science-based targets developed and submitted to the Science Based Target Initiative for validation .

Our long-term value creation

We work to meet the current needs of society, as well as the needs of future generations for sustainable solutions. We create value for our clients, employees, shareholders, suppliers and society, in both the short and long term. This is described in our value creation model.

What we need →

Human capital
- 17,000 employees in more than 100 countries
- 32,000 engineers and specialists in partner networks

Structural capital
- Knowledge bank and project references
- Strong brand and employer brand
- Offices in over 40 countries

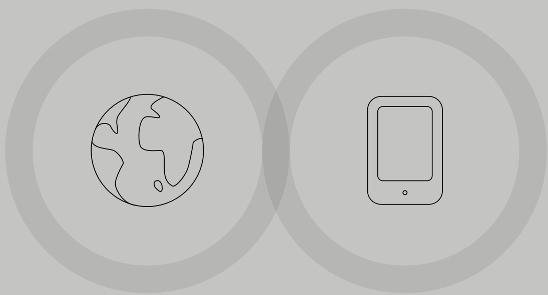
Financial capital
- SEK 15,400 million in equity and loans
- Strong cash flow

Natural capital
- 18,000 GWh of heating and cooling and 17,000 GWh of electricity for offices
- Fuel for around 70,000,000 km of business trips by car and air

How we do it →

Take-Off Strategy for growth
Our ambition is to be a European leader in sustainable engineering, design and advisory with a global reach. Our strategy focuses on growth in transforming segments that show secular growth; e.g. Infrastructure, Food & Life Science, Clean Energy and Bioindustry enabled by key initiatives within sustainability and digitalisation as well as best in class operations.

Sustainability **Digitalisation**



Strong and proven operating model
- Decentralised organisation and strong local presence
- Strong client relationships
- Focus on project sales and assignments where we have a strong position in the customer value chains
- Attractive employer

Reinvestment of financial capital, growth, knowledge, experience and references

Created value

Customers
– Sustainable and digital solutions to our clients

Shareholders
– 3.5 percent total shareholder return
– SEK 5.50 per share in proposed dividend

Suppliers and partners
– SEK 2,200 million in purchases from suppliers
– 1,200 active sub-consultants

Employees
– SEK 10,500 million in employee wages and benefits
– Inclusive workplace with equal opportunities

Society
– 17,000 jobs and vibrant local communities
– SEK 2,000 million in income tax and employer contributions

Humanity and the planet
– Contributions to the UN's 17 Sustainable Development Goals and the 1.5°C ambition
– Climate change mitigation and adaptation

We accelerate the transition towards a sustainable society

Read more about our contributions to the UN's 17 Sustainable Development Goals on pages 20–21.

Drive growth in targeted geographies – organic and acquired

We will accelerate organic growth in core markets by continuously adapting and developing our offering, as well as focusing on clients and areas which are showing strong growth. This will be done by attracting and retaining talent and through a ramped-up acquisition agenda.

AFRY is aiming for a position as a European leader in sustainable engineering, design and advisory with a global reach. Over the past few years and helped by the acquisition of Pöyry, AFRY has evolved from a Swedish company to a leading player in the Nordic countries with a strong position in international niches. Our core markets are Sweden, Norway, Denmark, Finland and Switzerland which account for circa 80 percent of our net sales. We will accelerate organic growth in these markets as well as the segments where we have the strongest positions internationally, specificially in the bioindustry and the energy sectors, by attracting and retaining the right talent.

To strengthen the organic growth we will further develop the way we work with key accounts and our key account managers. This represent an opportunity to further deepen the relationships with our most important clients.

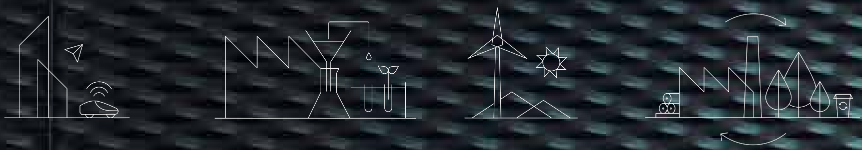
We have accelerated our acquisition agenda and we see acquisitions as a potential to strengthening our geographic position as well as increasing our market share in selected segments. A total of 18 acquisitions have been announced during 2021 with annual net sales of SEK 1.2 billion. The majority of the acquisitions during the year have strong digital offerings. Our goal is to grow 10 percent annually through organic growth and bolt on acquisitions.

18 acquisitions with annual net sales of

SEK 1.2 billion

Target transforming segments that show secular growth

INFRASTRUCTURE FOOD & LIFE SCIENCE CLEAN ENERGY BIOINDUSTRY



Our society is currently in the midst of several ongoing and major transitions, driven by digitalisation and a demand for more sustainable solutions. AFRY will focus on segments that show secular growth; e.g. Infrastructure, Food & Life Science, Clean Energy and Bioindustry, which accounts for circa 70 percent of AFRY's net sales. We aim to take leading positions in these segments and will focus on assignments where we have a strong position in the customer value chains.

Several examples of the major transitions can be found in our home market, for example in Northern Sweden, with the significant investments in battery manufacturing, green steel, hydrogen and renewable energy. We will organise around some of the key priority growth segments and collect dedicated expertise from across our company to support our clients.

Transforming segments, circa share of net sales

70%

Prima Gamukama, Compliance & Ethics officer
Johannes Møjen, Lighting Designer

Infrastructure

The infrastructure sector is characterised by strong, extensive shifts over the coming years, demanding new solutions, as cities and society are moving in a more sustainable direction. Public and private investments within infrastructure are driven by political ambitions of transitioning to more sustainable means of travel, and to meet a need for modernisation. Trends within transport infrastructure are changed mobility needs and behaviour, electrification of vehicles, decarbonisation and increased demand for sustainable transportation solutions. The real estate market is driven by trends such as digitalisation, the green transition, modernisation, urbanisation and flexibility to allow for broader use of office space.

See further on page 21 which of the UN's 17 Sustainable Development Goals are directly linked to the Infrastructure segment and examples of our direct impact.

CASE EXAMPLE:

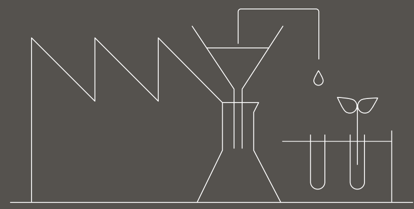
We're not building a factory – we're building a community

The extensive green industry investments being made in northern Sweden are creating a major need for housing, services and infrastructure. In Boden, H2 Green Steel is planning a large-scale plant for fossil-free steel production.

Sandellsandberg – Part of AFRY, will be responsible for the architectural design of the new steelworks and its surrounding buildings. H2 Green Steel aims to take responsibility for the long-term development of the community rather than merely creating jobs by establishing a factory.

With a functioning housing market, a vibrant cultural life, or good schools and healthcare, they will be able to attract and retain people with vital skills. Ensuring an attractive community in which future employees feel at home and want to live is thus a crucial factor for success.

Food & Life Science



The Food and Life Science sectors have demonstrated stable growth for many years. This is expected to continue, driven by an increasing, ageing and wealthier population. There is also a transformation driven by personalised medicine, IoT enabled medical devices and digitalisation, as well as the emergence of new and rapidly growing intersections, such as functional food, preventive health, eHealth and plant based food. A common denominator for each of these segments is that they are governed by strict regulations. Understanding these regulations require deep sector knowledge and how to operate within their boundaries is needed to participate in the markets.

See further on page 21 which of the UN's 17 Sustainable Development Goals are directly linked to the Food & Life Science segment and examples of our direct impact.

CASE EXAMPLE:

Turn-key project for Chr. Hansen in Denmark

AFRY has been entrusted to carry out a turn-key project for Chr. Hansen in Denmark with the purpose to enable a new sustainable development centre for the dairy industry.

Chr. Hansen develops natural ingredient solutions for amongst others the food industry. With these solutions they touch the lives of more than 1 billion people every day. We have been a project partner for more than ten years to Chr. Hansen, and has been involved in the Application Test Centre project already from the basic design, which includes milk reception, milk processing and production of fresh dairy and cheese.

A cross-functional team from AFRY is responsible for project management, process design, automation, pipe and electrical construction, quality assurance, manufacturing, assembly, installation and commissioning of this new centre.

Together, we will make Chr. Hansen's vision of a world-class flagship for dairy applications a reality, contributing to meeting the growing global need for new and more sustainable food products.

Clean Energy

The European Green Deal is a set of EU initiatives to become the first climate neutral continent by 2050 and underlines the need for global decarbonisation, which will require a significant transition of the energy sector. Fossil fuelled power generation needs to be replaced by clean energy sources, generating significant investment and growth in the clean energy sector in the coming decades. Driving this growth is an increasing demand for energy derived from zero-emissions sources, such as offshore and onshore wind, solar, hydro, nuclear energy and energy efficiency measures as well as developing technologies such as small nuclear reactors, hydrogen and carbon removal. Global environmental issues and renewable intermittency will increase demand for waste-to-energy, bioenergy, HVDC interconnectors and energy storage systems such as hydro pumped storage and batteries. Digitalisation will be a key enabler of resource efficiency, decorbonisation and market integration of intermittent renewable sources.

See further on page 21 which of the UN's 17 Sustainable Development Goals are directly linked to the Clean Energy segment and examples of our direct impact.

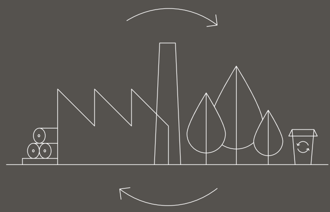
CASE EXAMPLE:

A "green battery" hidden in the Tyrolean Alps of Austria

The Kühtai pumped storage project is being built in the Tyrolean Alps of Austria and is part of the Sellrain-Silz power plant group. The overall goal of the power plant is to contribute substantially to the energy transition of Austria and Central Europe. The Kühtai project will store water for pump circulation and also capture water in the rear of the surrounding valleys. It will serve as a green battery, increase supply security to help manage renewables intermittency and the annual net energy production of the power plant complex by 216 GWh.

The client entrusted AFRY with the design of the main caverns including structural calculations, coordination with electro-mechanical parts, preparation of formwork and reinforcement drawings and a 3D coordination model of the main structures of the pumped storage power plant. This project will enable the client to meet their goal of providing more flexible, safer and cleaner energy to the region.

Bioindustry



The biotransition sets the frame for fossil based materials replacement with bio based materials. Traditional pulp and paper, chemicals and oil refining companies are transforming towards biorefineries where sustainability, resource efficiency and new resource innovations will play a key role. Material transition will require new solutions in material use and new bio based materials are continuously developed towards commercial solutions. The entire value chain, from forest to end user markets need to get digitalised and fully integrated in one plattform. The biotransition offers endless opportunities but also requires increased investments and development from the industry sector.

See further on page 21 which of the UN's 17 Sustainable Development Goals are directly linked to the Bioindustry segment and examples of our direct impact.

CASE EXAMPLE:

Growing demand for sustainable packaging materials drives Metsä Board's investment in Sweden

Growth in e-commerce as well as consumers' environmental awareness has increased the demand for sustainable wood-fibre-based products including packaging materials. To meet the growing demand, Metsä Board has decided to invest in more sustainable production with increased folding boxboard production efficiency and environmental performance in Husum mill, Sweden. Metsä Board's overall investment value is approximately EUR 210 million. The investment will increase the integrated mill's self-sufficiency in electricity from 40 percent to over 80 percent. Also, the use of fossil oil will be reduced by circa 5,000 tonnes per year.

AFRY is providing engineering services that includes detailed engineering of process, mechanical and piping, electrical, instrumental, automation, and HVAC as well as project planning services.

The project provides an excellent platform for increasing paperboard production capacity in a sustainable way and utilising the strengths of northern fresh fibre. The ongoing modernisation of the mill plays an integral role for Metsä in achieving fossil free production by 2030.

AFRY's contribution to the Sustainable Development Goals

AFRY's client assignments respond to global challenges, such as the climate crisis, and utilise the opportunities presented by digitalisation. Through our client assignments, we have a positive impact on society through increased energy efficiency, increased use of renewable energy, resource efficiency, safe workplaces, improved health and safety, streamlined production processes, circular resource flows, improved accessibility, greater traffic safety, inclusive societies and improved air and water quality. These values are reflected in the 2030 Agenda and the UN's 17 Sustainable Development Goals (the Global Goals).

The 2030 Agenda has led to an increased demand for sustainable solutions which respond to global challenges. Climate change and biodiversity loss are examples of challenges that directly relate to our business and the services we offer to our clients.

Understanding our impact on the Global Goals
AFRY either directly or indirectly contributes to all the 17 Global Goals through our responsible business conduct, our focus on gender equality, diversity and inclusion, our active work relating to collaboration and partnerships, and the impact of our assignments.

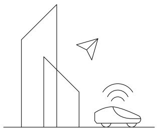
We have analysed the 17 Global Goals and their 169 targets based on the four transforming segments in our business strategy and have identified a direct positive impact on 30 of the 169 targets. Common to all the transforming segments is that we contribute to climate change mitigation in line with the 1.5°C ambition as well as climate change adaptation of society. The next page presents the Global Goals that are linked to each transforming segment in our business strategy, along with examples of our impact based on these.

Achieving the 2030 Agenda is a complex challenge. The Global Goals are interconnected and they also entail numerous conflicting goals. The UN sees an integrated approach as critical to taking on the difficult challenges we are facing. AFRY is working to maximise sustainable values in assignments to create, develop and implement solutions that build a more sustainable society. We aim to ensure a holistic perspective in our assignments based on the Global Goals to minimise negative impact and maximise positive values. The Global Goals form the basis for all AFRY's work and is an important part of our Sustainability Policy.

Read more about the transforming segments on pages 16–19.

Infrastructure

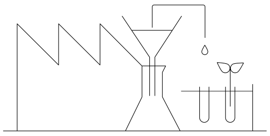
3 5 6 7 9 11 13



In **Infrastructure**, we are helping to make cities inclusive, safe, resilient and sustainable while mitigating climate change and adapting society to climate change. Through our assignments, we are contributing to adequate and safe housing, improved energy efficiency, reduced adverse environmental impact of cities, and increased water-use efficiency and access to safe drinking water, sanitation and hygiene. We also have an impact on sustainable transport systems for all, improved road safety and universal access to inclusive and accessible green and public spaces. Through our assignments, we support the link between urban, peri-urban and rural areas.

Food & Life Science

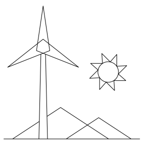
2 3 6 7 8 9 12 13



In **Food & Life Science**, we are contributing to sustainable food production systems and reduced food waste along production and supply chains and to combating disease. We also contribute to environmentally sound management of chemicals and waste with less release of these substances to air, water and soil, and through this reduce deaths and illnesses caused by such releases. Through our assignments, we are helping to modernise and adapt industry to increased sustainability and economic productivity through improved energy efficiency, effective and circular resource use, diversification, technological upgrading and innovation, environmentally friendly technologies and industrial processes, and improved health and safety.

Clean Energy

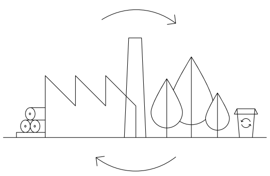
6 7 8 9 11 13 15



In **Clean Energy**, we are helping to secure access to reliable, sustainable, modern and affordable energy for all, and to mitigate climate change and adapt society to climate change. We are contributing by increasing the share of renewable energy in the global energy mix, by improving energy efficiency, expanding infrastructure and upgrading technology for supplying modern and sustainable energy services. Through our assignments, we can minimise impacts on ecosystems on land and in inland freshwater, and support the protection and restoration water-related ecosystems.

Bioindustry

3 6 7 8 9 12 13 15



In **Bioindustry**, we are helping to modernise and adapt industry to increased sustainability and economic productivity through improved energy efficiency, effective and circular resource use, diversification, technological upgrading and innovation, environmentally friendly technologies and industrial processes, and improved health and safety. We are contributing to more efficient water use and to circular water flows in industry, as well as to environmentally sound management of chemicals and waste and reductions of their release to air, water and soil. Through our assignments, we can promote a sustainable management of forests.

AFRY X

AFRY is a driver of industrial digitalisation in our core sectors where we are market leaders and can leverage our deep expertise with digital skills and technologies. Now we are increasing our capability in order to serve our clients' needs to strengthen their competitiveness and because we see that digitalisation is one of the most powerful and universal tools we have to tackle climate change and reduce global greenhouse gas emissions.

Digital technologies are transforming all industries as they reorganise ecosystems and value chains, providing a unique opportunity for both AFRY and our clients to redefine themselves for the digital age. AFRY has a unique combination of deep sector knowledge, business skills and digital capabilities, making AFRY well positioned to offer digital solutions and services to industrial players. Therefore, we aim to be a market leader in applying digital solutions and services in our core sectors and significantly increase our revenues from digital offerings.

A new division

A new division, AFRY X, was established in January 2022 to accelerate AFRY's digital business. We are concentrating a significant part of our digital resources and capabilities into the division to gain strength in order to be better enabled to support our clients to meet their digital journeys. In addition to continuing growing our software product business we will further develop and strengthen our digital services. Focus areas will be Industrial IoT, Industrial AI, Cyber Security, Service Design and SaaS solutions in combination with significant capabilities in software development.

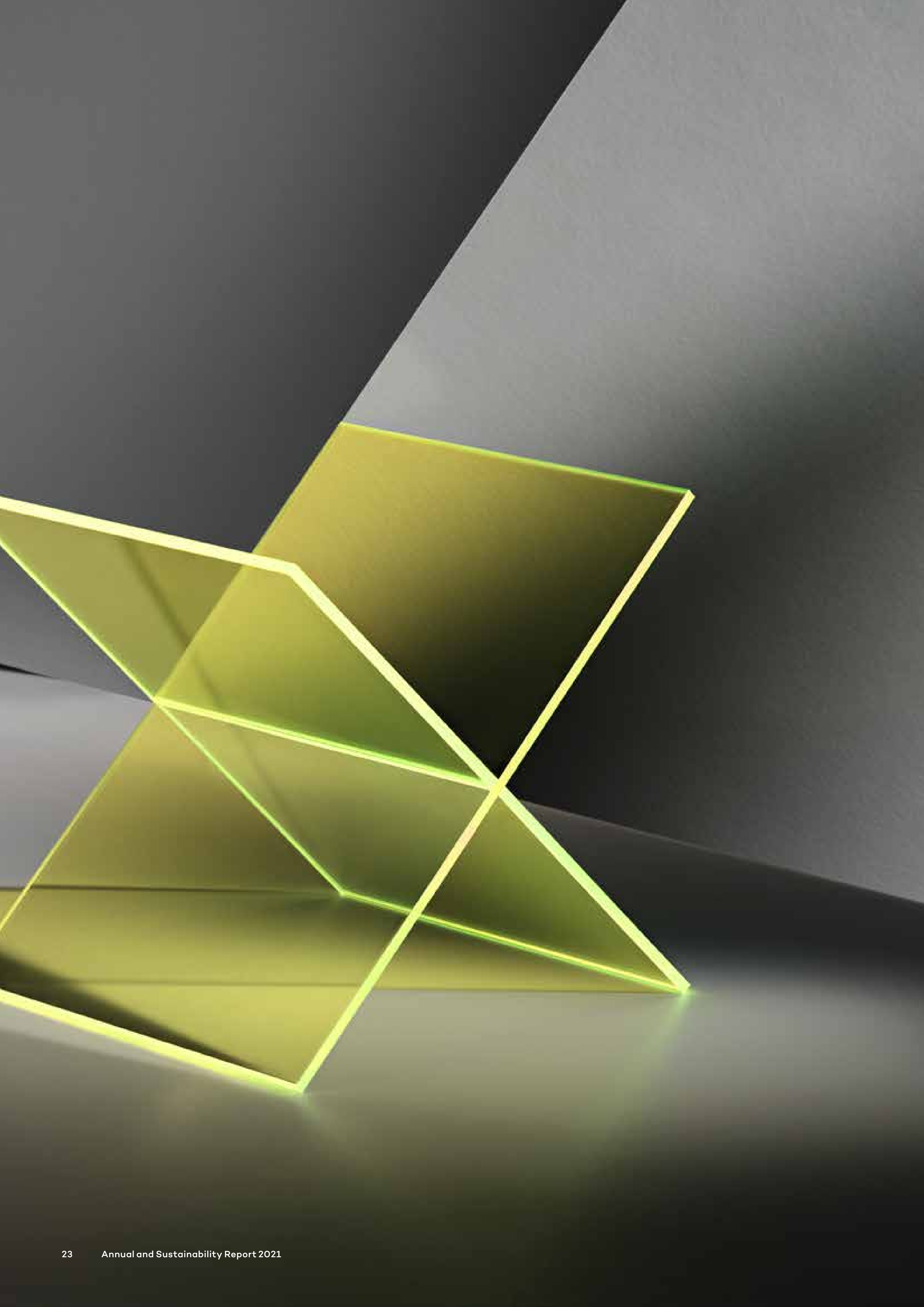
The division will rapidly scale our digital offerings in services and software products, be the engine and facilitator of innovation, enable systematic investments in digital areas of our business and drive acquisitions in the digital space.

Smart Forestry digital solutions

AFRY Smart Forestry digital solutions cover the forest value chain at all planning levels throughout the business cycle, enabling clients to reach their objectives for their forest assets - in a sustainable way.

At the core of all our solutions are data from various sources - from precise drone inventory to large-scale satellite mapping - processed with AI and combined with ground reference data.

Using AI and machine learning methodologies, we can identify relationships between layers of information and then link them with factors which impact forest growth to create an overall forest inventory. This results in outputs of typical inventory variables such as height, stem density, volume, species distribution and also carbon storage. AFRY is uniquely positioned to support organisations with forest operations, to both identify and implement the optimal path of transition to these AI-based inventory systems.



Lead in sustainable solutions to drive impact and growth

We are facing many global challenges at the same time, in health, economics, the climate and an increasing pressure on the planetary boundaries such as biodiversity. There is broad awareness that the recovery both during and after the Covid-19-pandemic must be socioeconomically sustainable and focus on ensuring that the rise in the global average temperature does not exceed 1.5°C.

Global challenges such as climate change, rising sea levels, the rise of extreme poverty for the first time in decades, biodiversity loss and increasing water stress are expected to lead to a growing demand for scalable and sustainable solutions, while digitalisation is set to remain a driver in all industries and sectors. The EU's Green Deal and taxonomy is expected to direct investments towards solutions which are classified as sustainable and in line with the Paris Agreement according to the taxonomy.

AFRY holds a unique position and will take a leading role as an enabler in the transition to a sustainable society based on our solutions, our global presence and our ambitions. Sustainability is an integral part of our business strategy and our strong commitment is reflected in our mission to accelerate the transition towards a sustainable society. We aim to lead in sustainable solutions to drive impact and growth, and to help our clients achieve their sustainability goals. AFRY acknowledges the complexity of dealing with the global challenges and our sustainability approach encompasses a holistic view, the need to address both positive and negative impacts as well as the value chain perspective.

The topic of climate change is closely interlinked with other global megatrends and challenges, and is part of our business and how we operate as a company. To provide an overview of our climate action, and as a step in increasing our efforts, we have developed the AFRY 1.5°C Roadmap. It is based on the 1.5°C Business Playbook, a framework to reach net-zero emissions rapidly, developed by the Exponential Roadmap Initiative. As part of our work to future-proof our business, we have also accepted and started to implement the recommendations of the Task Force on Climate-Related Financial Disclosures. (TCFD).

→ Read more about the AFRY 1.5°C Roadmap on pages 26-27.
→ Read more about our sustainability work and our statutory sustainability report in accordance with the GRI Standards in the sustainability notes on page 118.

The three pillars in our sustainability framework are essential to support AFRY's ambition to become a European leader in sustainable engineering, design and advisory with a global reach.

Lead by example: We base the way we run our operations and how we care for our employees on recognised frameworks, science and requirements from various stakeholders, such as employees and investors. Inclusion and diversity, ethics and compliance, and our own climate impact are key areas which permeate the entire business, as manifested through our sustainability targets. Measuring and following-up on these targets throughout the business lines will drive our business forward. In 2021 we received EcoVadis's platinum rating in their sustainability evaluation, the highest possible rating, which showcases our commitment to lead by example and increase our sustainability performance.

AFRY is committed to conducting business and operations in line with the 1.5°C ambition. As part of this we have submitted our science-based targets to the Science Based Target initiative for validation and accepted the recommendations of the Task Force on Climate-Related Financial Disclosures. Our focus on the 2030 Agenda, UN Global Compact and other important frameworks remains firm.

→ Read more about our sustainability targets on pages 7 and 120.

Transform the company: AFRY focuses on fully integrating sustainability in our design, engineering and advisory solutions, encouraging clients to adopt solutions that promote sustainable development and developing solutions that contribute to the 2030 Agenda. By this we generate long-term value for clients, for the environment and for society.

Our employees are key and our Sustainability Learning Programme aims at increasing our our employees' awareness and knowledge about sustainability in our areas of deep sector knowledge. This is vital in meeting our clients' expectations and for sustainability to be a growth driver to its fullest extent. This also brings the need of tools, guidelines and best practice for assessing and managing sustainability topics in assignments with the necessary support from our sustainability specialists. Our focus on inclusion and diversity is also key to increasing the problem solving capabilities necessary to address complex challenges related to sustainable development and to gain a competitive advantage.

Accelerate the sustainability transition: AFRY actively seeks out transformative, innovative assignments to accelerate the sustainability transition and will take a leading position in the four transforming segments. It is in these segments that we anticipate strong and long-term growth, and it is here that we expect to see an increase in demand for scalable, cross-functional and sustainable solutions which are made possible by digitalisation. A shift within the transforming segments will accelerate the transition to a sustainable society.

By combining design and engineering competence within our areas of deep sector knowledge, our digitalisation capabilities and our sustainability expertise we develop scalable solutions that accelerate the sustainability transition. The EU Taxonomy will support us in developing our offering by understanding and measuring the share of our business that substantially contribute to the environmental objectives defined by the EU.

AFRY has taken the strategic decision not to take on any new projects on new-build coal fired power plants from January 2021 onwards in order to further adapt our products and services in accordance with our sustainability ambitions and targets. We will continuously evaluate our positioning and make strategic decisions within areas of our business where we have the highest impact or with complex considerations to further increase our net positive impact.

→ Read more about the four transforming segments on pages 16–19.
→ Read more about AFRY X on page 22.

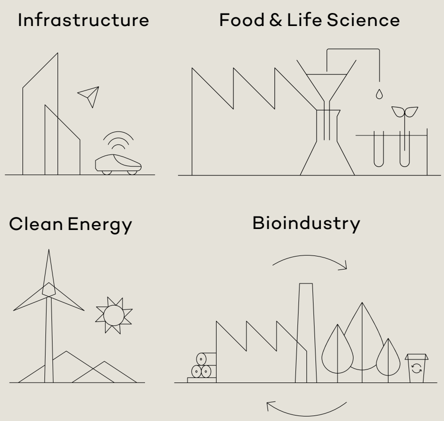
LEAD BY EXAMPLE

– Walk the talk
– Ambitious internal targets
– Measuring and follow-up

TRANSFORM THE COMPANY

– Fully integrate sustainability in solutions to generate long-term value for our shareholders, our clients, the planet and society
– Sustainability training
– Tools, guidelines and best practice
– Sustainability specialists

ACCELERATE THE SUSTAINABILITY TRANSITION



A European leader in sustainable engineering, design and advisory with a global reach.

The AFRY 1.5°C Roadmap

AFRY has developed a climate roadmap, the AFRY 1.5°C Roadmap, to support climate action in line with the 1.5°C ambition. It guides us in how we tackle climate change together with our employees, clients, suppliers and other strategic partners. It is a step in increasing our efforts to future-proof our company in line with the 1.5°C ambition.

At AFRY we have a strong commitment to sustainability which is reflected in our business strategy and our mission to accelerate the transition towards a sustainable society. The topic of climate is an essential part of sustainability as it is linked to challenges such as biodiversity loss, ocean acidification, increasing water stress and desertification. Curbing the emissions to limit human-induced climate change to 1.5°C whilst adapting society to a warmer climate is fundamental to form a sustainable society.

The AFRY 1.5°C Roadmap is based on the 1.5°C Business Playbook which is developed by the Exponential Roadmap Initiative to which AFRY is a member. The 1.5°C Business Playbook provides a framework for companies to reach net-zero emissions rapidly. It is based on four pillars: reduce own emissions, reduce value chain emissions, integrate climate into strategy, and influence climate action in society.

Pillar 1–2

Reduce our own emissions and value chain emissions

We aim to lead by example, reducing our own and our value chain emissions in line with the 1.5°C ambition. We aim to halve emissions by 2030, compared to 2019, and to achieve net zero emissions by 2040. We have also set a supplier engagement target covering our most significant suppliers to target emission reduction in our supply chain.

In 2020, we committed to set science-based targets according to the Science Based Target initiative in line with 1.5°C ambition. In 2021 these targets were submitted for validation.

To facilitate the reduction of our own and value chain emissions, we are working on improving CO_2 emissions data coverage and quality throughout the business lines.

Pillar 3

Integrate climate in business strategy

Sustainability is an integral part of our business strategy, influencing our offerings, our assignments and how we operate as a company. Climate change is one of the global challenges increasing the demand for sustainable solutions, making it critical for our business.

Climate is integrated into our business strategy and business planning by developing our offerings in climate mitigation and adaptation, as well as increasing our capacity and secure our ability to deliver these assignments to our clients. We increase our capacity to deliver on climate-related assignments by growing organically and through acquisitions. We secure adequate training in climate-related competence in respective field of deep sector knowledge to have the ability to deliver on assignments within climate change mitigation and adaptation. This is an important part of delivering on environmental objectives of the EU taxonomy which you can read more about in the sustainability notes on page 118.

Our largest impact is through our assignments, which is why we work with our clients and other strategic partners to create sustainable solutions for future generations. We actively seek innovative and transformative assignments to achieve exponential climate action in line with the 1.5°C ambition.

Pillar 4

Influence climate action in society

We strive to empower, influence and drive sustainable development by sharing knowledge and expertise and working closely with clients and strategic partners. We do this by promoting a fact-based worldview, sharing our deep sector knowledge and expertise, and driving the climate agenda forward.

Together with Gapminder, an independent Swedish foundation that fight misconceptions about global development, we will promote a knowledge test with questions about global development. In 2021, a test on Global Goal 13: Climate Action was developed and launched to increase the general knowledge when it comes to climate and climate-related issues.

We collaborate with Norrsken, an independent foundation that supports entrepreneurs to solve the world's biggest challenges, to accelerate the sustainable transition in line with Agenda 2030. We do this by enabling AFRY's experts to offer the Norrsken entrepreneurs mentorship and support within sustainability and digitalisation.

At the United Nations Climate Change Conference COP26, we focused on the energy transition in developing countries and elevating the youth perspective in the climate discussion. Curbing emissions to limit climate change is a global challenge that needs to be approached universally. It is therefore important to include the developing economies, where two thirds of the world's population live, and the future generations who will have to overcome challenges inherited by past generations.

Deliver best in class operations to drive growth and scalablity

"Best in class operations" aims to create an efficient and scalable platform to enable efficient cross-sales, improved quality and better usage of information.

AFRY has established a scalable platform to enable efficient cross-sales, improved quality and better usage of information. The focus is also to benefit from efficient transactional service centres, leverage of scale in core countries and increase the use of excellence centres. The goal is to create a platform that is scalable and that grows relatively slower than sales.

The ongoing implementation during 2021 of a modern system landscape is vitally important for AFRY's development, both in terms of driving growth and enabling sustained efficiency enhancements and integration of joint processes.

The implementation of our new ERP system is progressing according to plan and is being rolled out in stages. In addition, we have successfully implemented a modern CRM and HR system with global coverage. With an improved CRM-system, we create new opportunities for measuring and analysing customer satisfaction, which is one of our sustainability targets.

For the delivery of our services to clients we will increase the use of design and engineering centres in offshore and nearshore locations, for example in Eastern Europe and Asia. This will allow us to secure access to highly qualified people, and at the same time to a competitive cost level. The scaling will be achieved primarily by growing in existing AFRY locations.

Attractive employer

Our ability to retain and attract employees who contribute with expertise and innovative thinking are instrumental for AFRY's operations and growth.

We are convinced that an inclusive and diverse workplace where our employees are given space to develop and where we offer interesting and attractive career opportunities makes AFRY more attractive as an employer and more competitive.

Brave leadership and strong corporate culture
It takes brave leadership and a strong corporate culture to execute on our strategy. Our values, brave, devoted, team players are the foundation and the glue of our culture. The values help us make the right decisions, act wisely and treat each other with care and respect.

Brave leadership is our leadership model and is firmly rooted in our corporate culture and strategy. It is a foundation for strong client relationships and a committed workforce. In 2021, we promoted initiatives to strengthen our leadership model. The model is integrated in onboarding and trainings as well as our Performance Management tool. We have also provided a digital toolkit and eLearning for managers to support them in applying Brave Leadership and our values in the daily business. In 2021, we have developed a new leadership program for line managers that will be launched in 2022.

With the Covid-19-pandemic, our leaders was leading their teams remotely and there has been strong focus on well-being, as well as inclusion and collaboration to create engagement and secure productivity. With eased restrictions during periods, we had the possibility to work more from our offices again, adjusted for more flexible and hybrid work solutions.

To secure that our workplace offer solutions and services that attract future employees, yet retain our people, we have a common vision of the future workplace at AFRY – a dynamic and inclusive workplace for brave people. The workplace has become more digital, flexible and hybrid, yet our offices will always play an important role for innovation, productivity and collaboration. With our diverse business we have different conditions and needs, thus flexibility is important in the shaping of the future workplace.

Digitalisation is key
Digitalisation is an important part of our strategy, and we have continued to invest in digital tools and systems to deliver common, efficient and value adding processes and tools with a high degree of self-service functionality. Focus in 2021 has been on improving data quality, availability, and efficiency, launching a new dashboard for people analytics and a new digital solution for talent attraction and recruitment.

Employee engagement
Devoted and engaged people is key to our common success. Once a year AFRY perform a group-wide Employee Engagement Survey, focusing on leadership, well-being and engagement. In September, 80 percent of AFRY's employees participated in the survey and the result is good and show positive trends. The work environment at AFRY is considered very good and Brave Leadership Index is high. Our employees feel a sense of belonging, have preconditions to do a good job and get support and feel respected. The share of highly engaged employees has increased and the willingness to recommend AFRY as employer (eNPS) has increased from an already strong level at+25 to +29.

Inclusion, diversity and equality
Inclusion and diversity are closely integrated in AFRY's culture and is also one of AFRY's Sustainability targets. We also have a true belief that inclusion and diversity creates a competitive advantage to safeguard access to competence, development, profitable business and an attractive workplace. Here we can make a difference through education, cultural exchanges and the way we lead.

We promote inclusion, diversity and equality in the development and execution of processes and procedures such as inclusive unbiased recruitment and development, fair and gender-neutral pay and to educate in inclusive leadership. Communication is an important tool where we highlight role models and show good examples.

Since 2016 we have a close collaboration with Jobbsprånget and other initatives which mediates internships for recently immigrated engineers in Sweden. AFRY has since several years worked systematically to meet the skills of new immigrated engineers in Sweden and in five years circa 550 foreign-born engineers have been employed by AFRY within the "Immigrated Competence" programme.

Additional collaborations and initiatives have been launched to promote inclusion and diversity, such us lec-

Sofia Klingberg, Aishat Bislieva, Amir Nazari

tures, webinars and workshops. AFRY was included in the Bloomberg Gender Equality Index for 2021 and 2022, an international commitment to work with gender equality, inclusion and the promotion of women in the workplace. Allbright is a non-profit foundation that promotes equality and diversity on the executive business level in Sweden and for the second year in a row, AFRY was ranked as one of the companies that succeeds best in ensuring gender balance in the Group Executive Management (40/60).

In 2021, AFRY started work to increase awareness and knowledge of LGBTQI+ people's human rights. The work will be intensified in the coming years. For several years, AFRY has been organising a global Inclusion & Diversity Week in March, in connection with International Women's Day. During the week, workshops and lectures are offered that touch on all seven grounds of discrimination, gender, transgender identity or expression, ethnicity, religion or other belief, disability, sexual orientation and age.

We believe that by intensify the effort on gender and especially female leaders, we will accelerate the development of the inclusion and diversity area in general. Early 2021 we committed to the target to become 40 percent female leaders by 2030. At the end of 2021, the number was 23.5 percent. During the year we have focused on structuring the work to secure a common framework supported with local action plans to get full leverage locally.

Another example of how AFRY works with inclusion, diversity and increasing the proportion of female leaders is the "Energy Division Accelerated Female Development Programme". The programme was launched in 2021 with the aim to support our female leaders and employees. The program has been designed to complement the other activities and resources available at AFRY. It has been developed taking into account AFRY's values and leadership criteria, Brave Leadership.

Health and safety

AFRY acts to responsibly promote healthy, safe, and fair working conditions within our operations. A healthy workplace with a sustainable work life balance is a prerequisite for being an attractive employer and contributes to trust and promotes sustainable relationships between AFRY and our employees.

The group requires that our operations comply with both local legal requirements and AFRY common standards. Our cooperation with trade unions are important as it brings value in this area. To ensure compliance, we work consistently and proactively through policies, directives and supporting processes and tools to promote health and well-being and prevent illnesses and accidents.

Growth, attraction and retention

A business-critical parameter for AFRY is the ability to attract future competence and retain our people. We must ensure a workplace that encourage growth, collaboration, learning and development. As a company, it is important that we work towards our common goals and give employees the possibility to reach their full potential, supported by our corporate culture and our great leadership.

Retain and develop talent
AFRY's ability to develop and shift skills and competencies is a differentiator and success factor for our attractiveness, where continuous development of our employees' competence is essential, partly for their performance and motivation but also for them to be relevant and attractive to our clients.

At AFRY we guide talent management through groupwide processes, procedures and system support. Managers have access to guidelines, tools and templates with support from HR.

Employees and managers have ongoing performance and development dialogues to create clarity on expectations and set goals, address well-being and identify development activities. A simplified, interactive tool supports the dialogue and planning and we expect employees to have at least one documented performance and development dialogue per year. We also take a structured, long-term approach to identify leadership talent and planning for advancement and succession in various specialist and leadership roles.

Thanks to the size of the company and our diverse business, we can offer our employees many interesting career and development opportunities. Much of our competence development therefore occurs in the job with opportunities to build knowledge and experience within a broad spectrum of projects and client assignments in different industries and countries.

In addition, all our employees have access to AFRY Academy, a proprietary platform for learning and development. In 2021 we launched a new digital solution with one common place to go for all employees for personal development and skills related courses and content such as e-learnings and classroom trainings.

Attract and recruit talent
During 2021 we have developed and implemented a toolbox and a new effective and inclusive recruitment and onboarding process as well as replaced all our recruitment systems with one new common tool for employer branding, sourcing and recruiting. The new tool give current employees' easy access to all available jobs, can refer friends from their networks or apply themselves internally.

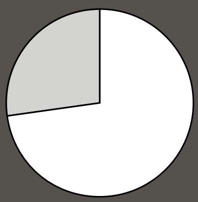
AFRY has high ambitions for growth and needs engineers in virtually all fields. During the year, we participated in various initiatives to stimulate interest in engineering education and work. For example, AFRY participates in Tekniksprånget, a national initiative in Sweden that gives internships to young secondary school students, and Jobbsprånget, which mediates internships for recently immigrated engineers in Sweden. AFRY has also been certified at the Swedish Migration Agency to be able to fast track for work permit for citizens outside EU/ESS.

By having our own internal recruiting organisation who work close to our operations and with deep knowledge of our business, we provide recruitment support to all leaders and make sure the recruitment process is a positive experience. In 2021, all recruitment partners and talent sourcing in Sweden was gathered in a common function to provide even more effective and professional recruitment support in a flexible way.

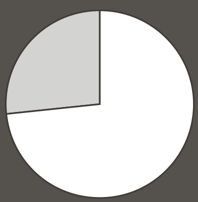
Employer brand
AFRY has worked consciously to build a strong employer brand and it remains high on the agenda to safeguard our position as an attractive employer. To further strengthen the brand, AFRY is continuously marketed through digital media and campaigns, visits to fairs and universities and by many internal ambassadors that participates and speaks at webinars, conferences and panel debates.

In 2021, AFRY was again placed amongst the top in surveys conducted by Universum of most attractive employers in Sweden. AFRY was also once again ranked as the most popular workplace among researchers by Framtidens Forskning.

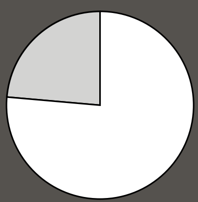
Gender distribution 2021[1]



Consultants
- Women 27.0%
- Men 73.0%



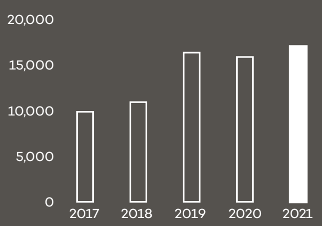
Total workforce
- Women 28.5%
- Men 71.5%



Leaders
- Women 23.5%
- Men 76.5%

1) Gender distribution among permanent employees.

Number of employees 2017–2021



Our three core values

Brave
We think big and encourage entrepreneurship to increase value. Challenging each other and making bold decisions, always taking a stand for what we believe in.

Devoted
We have a unique mix of competences and we are all passionate within our field. Sharing our expertise and insights to make a difference, we are driven by our curiosity to grow and learn more.

Team players
We share ideas and collaborate across borders to seize new opportunities. Challenging, supporting and bringing out the best in each other, we believe in the power of differences.

Nick Nouri, Engineer

AFRY and Norrsken in a collaboration to accelerate the sustainable transition

AFRY and Norrsken Foundation will share their knowledge and use the combined power of entrepreneurship and digitalisation to accelerate the transition towards a sustainable society – in line with the 2030 Agenda.

Norrsken is as a non-profit foundation supporting entrepreneurs working to solve the great challenges of famine, environmental issues, mental health as well as integration using its great co-working space accommodating 450 entrepreneurs and its venture capital fund.

Through our collaboration we are exchanging knowledge and experiences in order to drive innovation, ensure digitalisation and scale up solutions which will accelerate the transition towards a sustainable society.

Our experts help the entrepreneurs at Norrsken by providing advice about sustainability and digitalisation. This has been done in several interactions during the year, including round-table discussions with with startups and AFRY's business managers for knowledge exchange and innovation.

We have also togther with Norrsken implemented COP26 Impact Talks to gather leading players on how to accelerate the transition. Alike, experts from AFRY have been involved in the selection of new entrepreneurs through Norrsken Impact Accelerator. AFRY was also partner and supported Impact Week in collaboration with Gapminder with focus on sustainable transition as well as inclusion and diversity.

Erik Engellau-Nilsson, CEO Norrsken
Johanna Blendow, Head of Global Strategic Initiatives, Norrsken
Jonas Gustavsson, CEO AFRY

Initiatives and partnerships

Exponential Roadmap Initiative

The Exponential Roadmap Initiative is for innovators, transformers and disruptors taking action in line with 1.5°C target. The Exponential Roadmap Initiative have developed the 1.5°C Business Playbook– the world's first framework for an exponential climate transition – which aims to help organisations and companies set targets in line with the 1.5°C target.

As members of the Exponential Roadmap Initiative, AFRY is part of the United Nations Race to Zero campaign. Race to Zero is a global campaign to gather leadership and support from multiple stakeholders including businesses to reach net zero emissions.

Science Based Targets initiative

The Science Based Targets initiative (SBTi) supports the transition to a net-zero economy by validating that corporate emission reduction targets are in line with science. AFRY has submitted science-based targets to the SBTi for validation.

Norrsken Foundation

AFRY and the Norrsken Foundation have a partnership to jointly raise the level of knowledge on key societal issues and to interact in order to develop, digitalise and scale up solutions to accelerate the transition to a sustainable society.

Gapminder

AFRY is working with the Gapminder Foundation to counter ignorance of the world around us and develop sustainable solutions based on facts and science.

RenewAfrica

AFRY is one of 27 organisations that are supporting the renewAfrica initiative, which aims to promote the transition to renewable energy in Africa.

<norrsken>

GAPMINDER

EXPONENTIAL ROADMAP INITIATIVE

Climate Leadership Coalition

AFRY is a member of the Climate Leadership Coalition, Europe's largest non-profit network for a more sustainable society. This network is supported by companies, universities, researchers and private individuals.

Diversity Charter Sweden

AFRY is a member of the Diversity Charter network, which is working to create a world in which different ideas, expertise, experiences and skills count and where diversity is seen as a resource.

Government collaboration programme

AFRY is participating in the Swedish government's collaborative programme to promote cooperation between the government, private sector and academia as part of efforts to achieve a better climate.

Main reasons to invest

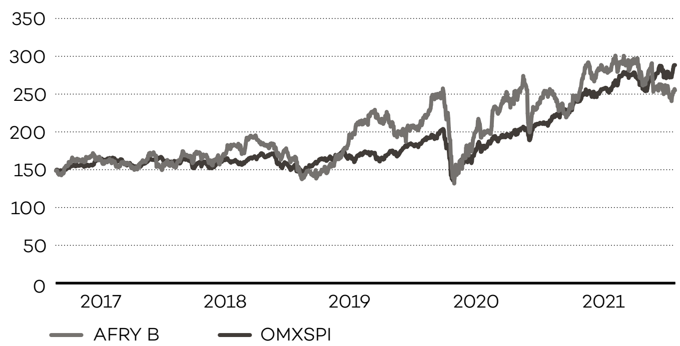
The ongoing transition in society towards sustainable solutions and digitalisation, particularly within the industry, will create major opportunities for AFRY where we will take a leading role as an enabler. Below are the main reasons why we create customer and shareholder value.

1. Long-term value creation
AFRY has, in line with the company's dividend policy, delivered a stable average dividend above 50 percent in recent years (with the exception of 2019 due to the Covid-19 pandemic). Over the last five years, the share return was 71 percent. We represent long-term sustainable development that adds value for share-holders, clients, employees and the society as a whole.

2. Leader in sustainable and digital solutions
Global megatrends such as climate change, urbanisation and digitalisation are shaping demand amongst clients and are expected to lead to an increasing need for scalable and sustainable solutions, while digitalisation remains a driving force within all industries and sectors. The EU:s Green Deal and taxonomy will drive investments and accelerate the transition to a sustainable society. AFRY is an attractive employer, which ensures that we can recruit talented employees who strengthen our customer offering and competitiveness.

3. Diversification for low cyclicality
AFRY's broad portfolio and international presence enables us to take on larger and more complex assignments to meet our clients' needs for advanced and sustainable solutions. A broad portfolio also generates stability across fluctuations in the economy and better spreads risk. AFRY has a strong local position in the Nordic region and selected international segments.

Price trend 2017–2021



The share

Over the last five-year period, 2017–2021, the AFRY B share's return was 71 percent compared with 94 percent for the OMX Stockholm PI.

AFRY's B shares have been listed on Nasdaq Stockholm since January 1986. Since January 2017, AFRY's shares have been trading on the Nasdaq Stockholm Large Cap. At the year-end, the combined market value, including A shares, was SEK 28,869 million (28,392).

Price trend and share turnover

At the end of 2021, the AFRY B share price was SEK 255.0 (251.2). The return on the share, that is, its price performance, was 2 percent during the year, while the OMX Stockholm PI index was 35 percent. Over the last five-year period, 2017–2021, the AFRY B share's return was 71 percent compared with 94 percent for the OMX Stockholm PI. The diagram on the next page shows the price performance for AFRY B compared to the index. In 2021, a total of 44 million shares (60) were traded on Nasdaq Stockholm for an aggregate value of SEK 11,552 million (12,805). The average turnover per trading day was 172,808 shares (237,469), corresponding to SEK 46 million (51). The share was traded on all trading days.

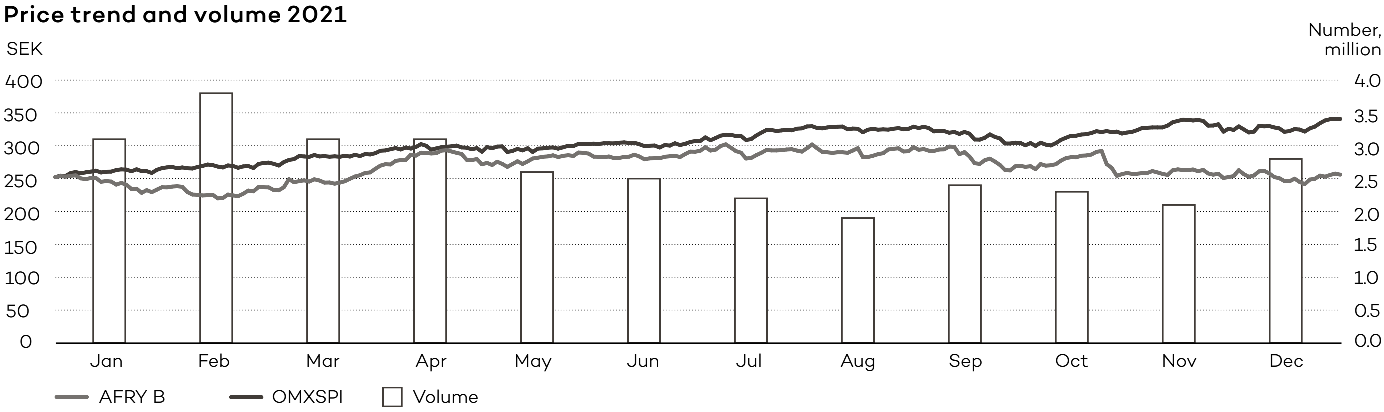
Dividend policy and dividend

The Board of Directors has adopted a dividend policy according to which the dividend corresponds to approximately 50 percent of consolidated profit after tax excluding capital gains. For the 2021 financial year, the Board proposes a dividend of SEK 5.50 (5.00) per share.

Development of share capital

			Change in number of shares		Total number of shares		Total shares	Share capital
Year	Quota value	Change	Class A shares	Class B shares	Class A shares	Class B shares	Number	SEK thousand
2010	5	Split 2:1	804,438	16,225,063	1,608,876	32,450,126	34,059,002	170,295
2012	5	Non-cash issue		5,985,915	1,608,876	38,436,041	40,044,917	200,225
2013	5	Cancellation		-558,782	1,608,876	37,877,259	39,486,135	197,431
2014	5	Cancellation		-383,650	1,608,876	37,493,609	39,102,485	195,513
2014	2.5	Split 2.1	1,608,876	37,493,609	3,217,752	74,987,218	78,204,970	195,513
2015	2.5	Cancellation		-967,869	3,217,752	74,019,349	77,237,101	193,093
2015	2.5	Conversion of staff convertibles		828,192	3,217,752	74,847,541	78,065,293	195,163
2016	2.5	Conversion of staff convertibles		848,460	3,217,752	75,696,001	78,913,753	197,284
2017	2.5	Cancellation		-835,488	3,217,752	74,860,513	78,078,265	195,195
2017	2.5	Conversion of staff convertibles		183,600	3,217,752	75,044,113	78,261,865	195,654
2018	2.5	Cancellation		-1,650,213	3,217,752	73,393,900	76,611,652	191,529
2018	2.5	Conversion of staff convertibles		765,051	3,217,752	74,158,951	77,376,703	193,442
2019	2.5	Private placements	1,072,584	33,556,411	4,290,336	107,715,362	112,005,698	280,014
2019	2.5	Cancellation		-738,345	4,290,336	106,977,017	111,267,353	278,168
2019	2.5	Conversion of staff convertibles		906,775	4,290,336	107,883,792	112,174,128	280,435
2020	2.5	Conversion of staff convertibles		849,916	4,290,336	108,733,708	113,024,044	282,374
2021	2.5	Cancellation		-700,681	4,290,336	108,917,604	112,323,363	280,808
2021	2,5	Conversion of staff convertibles		889,108	4,290,336	108,922,135	113,212,471	283,031

Price trend and volume 2021



Changes in the number of shares

In 2021, conversion of shares as per the 2017 and 2018 staff convertible programmes increased the number of B shares by 889,108. Furthermore, a cancellation of 700,681 own Class B shares resolved by the Annual General Meeting 2021 was implemented. The Group had no holdings in own shares at the end of the financial year.

Long-term communication with the stock market

The company has an ongoing long-term communication strategy towards the capital market, and interest in the share remained strong in 2021. The CEO and CFO have held many digital meetings with investors and analysts, and given presentations at digital investment seminars. In addition, there are regular online conferences with investors, analysts and the media when interim reports are published.

Key ratios per share

SEK	2021	2020	2019	2018	2017
Share price 31 December	255,00	251.20	218.60	160.40	180.90
Basic earnings	9.97	8.29	8.07	10.98	9.58
Diluted earnings	9.97[3]	8.29	7.99	10.76	9.39
Equity attributable to share-holders in the parent	97.09	88.52	83.51	70.42	64.30
Dividend yield, %[1]	2.2	2.0	0.0	3.1	2.8
Dividend[2]	5.50	5.00	0.00	5.00	5.00
Market capitalisation, SEK million	28,869	28,392	24,521	12,411	13,988

1) Based on proposed dividend.
2) Proposed dividend.
3) Issued convertible do not entail any dilution during the year.

Analyst

Name	Company
Johan Sundén	Carnegie
Erik Elander	Handelsbanken
Raymond Ke	Nordea
Johan Dahl	Danske Bank
Dan Johansson	SEB

Shareholders in Sweden and abroad

31 Dec 2021	Number of shareholders	Holding, %
Sweden	14923	73.43
USA	43	9.09
Norway	50	4.01
Luxembourg	8	3.62
Finland	174	3.09
Other	445	6.76
Anonymous ownership		1.76

Ownership by holding

31 Dec 2021	Number of shareholders	Holding, %
1–500	12,038	1.17
501–5,000	3,099	4.02
5,001–	502	92.92
Anonymous ownership	4	1.89
Total	**15,643**	**100**

Ten largest shareholders, 31 December 2021

Owners	Holding, %	Votes, %	Class A shares	Class B shares
ÅForsk Foundation	10.79	33.38	4,274,336	7,942,837
SEB Fonder	10.37	7.73		11,739,175
Swedbank Robur Fonder	9.79	7.30		11,080,798
Handelsbanken Fonder	7.44	5.55		8,427,285
EQT	4.98	3.72		5,665,699
Didner & Gerge Fonder	3.87	2.89		4,386,880
Fourth Swedish National Pension Fund.	3.79	2.83		4,293,057
AMF Pension & Funds	3.15	2.35		3,567,404
Corbis S.A.	3.06	2.28		3,465,996
Vanguard	2.77	2.06		3,134,375
Total ten largest shareholders	**60.02**	**70.10**	**4,274,336**	**63,703,506**
Total other	39.98	29.90	16,000	45,218,629
Total shares	**100.00**	**100.00**	**4,290,336**	**108,922,135**

Source: Modular Finance


AFRY
ÅF PÖYRY

Chairman's report

At the Annual General Meeting in June 2021, I took over as the new Chairman of AFRY AB's Board. With experience from both industry and the consulting sector, I hope to lead the Board's work in the most effective way and contribute to the company's long-term value creation.

Neil McArthur and Carina Håkansson also took up their roles as new Board members at the Annual General Meeting, meaning that the Board has strengthened its competence in the forest industry and become more international.

The Board is responsible for the organisation and management of the Group and for creating the conditions for long-term profitable growth, while keeping the best interests of the company and the owners in mind. This is achieved by regularly evaluating the Group's financial situation and the company's risks in the areas of finance, law and sustainability.

The Board pays great attention to developments in our external environment and to positioning AFRY for the longer term. At the current time, we are seeing great pressure for change in the industry, driven mainly by the energy transition. This is creating challenges but also great opportunities for the industry, which has accelerated and further strengthened demand for digital and sustainable solutions. AFRY is well positioned to play a leading role in the ongoing transition and I see excellent conditions for long-term sustainable growth and profitability for the company.

During the year, the Board handled questions relating to acquisitions. 18 acquisitions were announced during the year, with annual sales of a total of SEK 1.2 billion. We are maintaining a strong focus on acquisitions going forward. The industry is continuing to consolidate and we have both a need for, and an opportunity to make, acquisitions to strengthen ourselves geographically and to build on our position in certain sectors. Another priority area is AFRY's digital offering, which was significantly enhanced during the year through the establishment of a new division, AFRY X. AFRY is striving to be the leading player in industrial digitisation in the Nordics.

The Board of Directors is deeply committed to and follows developments in the sustainability field. We pay particular attention to the business ethics aspects of sustainability. As part of our corporate governance, we follow and monitor regulatory compliance, primarily the UN Global Compact, with regards to labour law, the environment, anti-corruption and human rights, as well as our decision-making processes and risk management relating to these areas. Our ability to attract the best employees is a key factor for the business, making it particularly important to nurture and develop our brand.

2021 was a year marked by a continued increased demand for sustainable and digital solutions, especially in our industrial segments. In light of the improved market situation, the Board of Directors proposes to the Annual General Meeting a dividend of SEK 5.50 per share, in accordance with our goal of distributing at least 50 percent of net profit to shareholders.

At the time of writing, there is great uncertainty how the war in Ukraine may affect the macroeconomic and trade situation. The Board of Directors continuously evaluates this together with the management team.

On behalf of the Board, I would like to thank our CEO Jonas Gustavsson and all our employees for their excellent work in 2021.

Stockholm, March 2022

Tom Erixon
Chairman of the Board

Corporate Governance report

This Corporate Governance report, prepared by the Company's Board of Directors, covers corporate governance during the 2021 financial year. The Corporate Governance report is submitted in accordance with the Swedish Annual Accounts Act and the Swedish Corporate Governance Code. The Corporate Governance report has been reviewed by KPMG, whose opinion follows immediately after the report.

Corporate governance within AFRY AB
AFRY AB is a Swedish public limited Company domiciled in Stockholm. The Company's Class B shares are listed on Nasdaq Stockholm. Governance, management and control are divided between the shareholders, the Board of Directors, the President and CEO and Group management in accordance with applicable laws, rules and recommendations and with AFRY AB's Articles of Association and internal regulations. The General Meeting of Shareholders is the Company's highest decision-making body, where the shareholders exercise their voting rights. The Board of Directors and Chairman of the Board are elected by the General Meeting after proposals by the Nomination Committee. The Board of Directors appoints the President and CEO. The administration by the Board of Directors and President and CEO, as well as the financial statements are examined by the external auditing firm elected by the Annual General Meeting. To streamline and intensify the work on some matters, the Board of Directors has set up an Audit Committee and a Remuneration Committee. AFRY AB's internal audit is an important support function for the Audit Committee.

AFRY AB applies the Swedish Corporate Governance Code (available at www.corporategovernanceboard.se) and did not deviate from it in 2021. AFRY AB complies with Nasdaq Stockholm's Rules for Issuers (available at nasdaq.com/solutions/rules-regulations-stockholm) and generally accepted stock exchange practice.

The highest internal instrument of governance is the Articles of Association adopted by the shareholders' meeting. The Board of Directors has adopted rules of procedure and instructions for the work of the Board, its committees and the President and CEO. In addition, the Company has adopted internal governing documents that clarify procedures and the allocation of responsibility and powers within important relevant areas, such as the Group's Code of Conduct, governance, risk management, quality, the working environment, information security, data protection, sustainability, anti-corruption, whistle-blowing and regulatory compliance. For more information on the Company's internal control measures, see page 47.

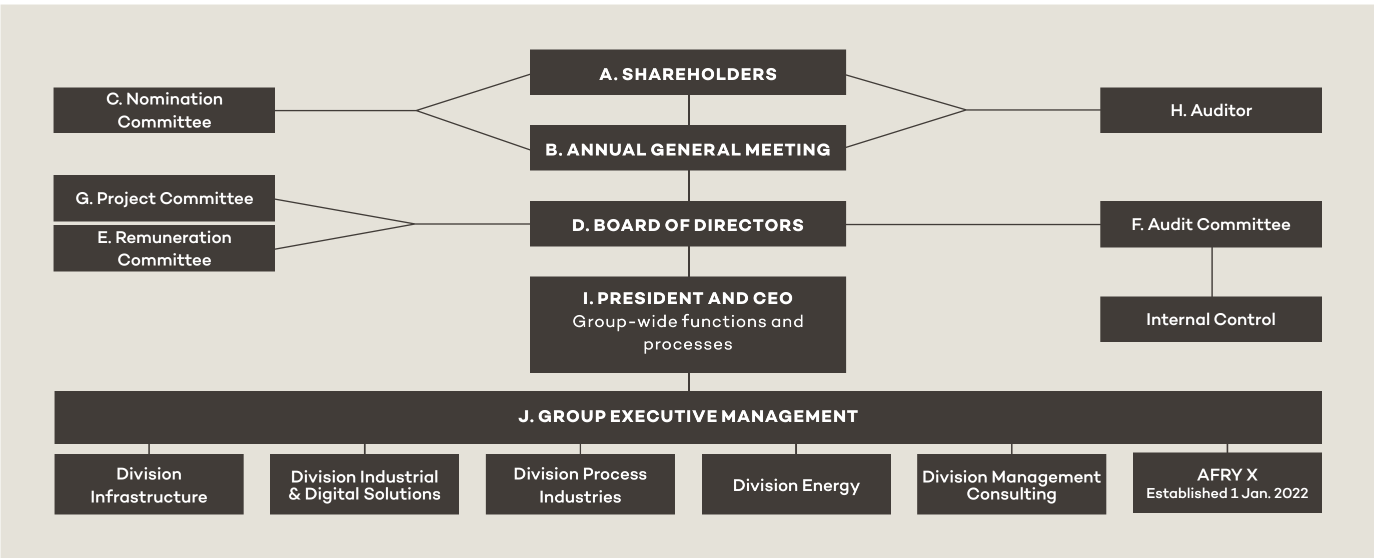
A. Shareholders
AFRY AB has issued two classes of shares: Class A shares and Class B shares. Each Class A share is entitled to 10 votes, and each Class B share to 1 vote.

Share distribution at 31 December 2021

Number of shareholders	15,642
A shares	4,290,336
B shares	108,922,135
Total number of shares	113,212,471
of which own Class B shares	-
Votes	151,825,495

The largest shareholder at the end of 2021 was the ÅForsk Foundation, with 33.4 percent of the votes. SEB Funds had 7.7 percent and Swedbank Robur Funds had 7.3 percent of the votes.

B. Annual General Meeting
The General Meeting of Shareholders held within six months of the close of the financial year that adopts the income statement and balance sheet is called the Annual General Meeting (AGM). Shareholders registered in the share register on the record date and who have provided advance notice of their participation have the right to participate in the Meeting. Notice to attend is published on the Company's website and advertised in the Swedish Official Gazette (Post- och Inrikes Tidningar). The fact that notice to attend has been given is published in Dagens Industri. The 2021 AGM was held on 3 June 2021. Due to the Covid-19-pandemic, the Board of Directors decided that the 2021 AGM should be conducted only through



postal voting in accordance with temporary legislation, without any possibility for shareholders to attend in person or by way of a proxy holder. In total, 224 shareholders were represented, comprising 65.5 percent of the share capital and 74.2 percent of the votes in the Company. In addition to electing a new Chairman of the Board and a Board of Directors, the AGM resolved to authorise the Board of Directors to make decisions on issuance of new class B shares and to amend the Company's corporate name to AFRY AB and hence also the Company's articles of association. The minutes of the AGM and all documentation can be found on AFRY AB's website.

C. Nomination Committee

In accordance with the principles for the Nomination Committee passed at AFRY AB's 2018 AGM, the members of the Nomination Committee are appointed by at least three and at most five of the shareholders with the most votes, together with the Chairman of the Board. The names of the members were published more than six months before the AGM. The Nomination Committee for the 2022 AGM comprises: Anders Snell (Chair), appointed by the ÅForsk Foundation; Elisabet Jamal Bergström, appointed by SEB Investment Management; Monica Åsmyr, appointed by Swedbank Robur Funds; Fredrik Åtting, appointed by EQT Public Value; Lilian Fossum Biner, appointed by Handelsbanken Funds; and Tom Erixon, Chairman of the Board.

Duties of the Nomination Committee

The duties of the Nomination Committee are to present proposals ahead of the AGM on the number of directors, the composition and remuneration of the Board of Directors, as well as any separate remuneration for Committee work. Moreover, the Nomination Committee shall present a proposal for the chairs of the Board of Directors and AGM, as well as for the auditors and their remuneration. As part of its duties, the Nomination Committee is to fulfil in other respects the tasks incumbent on the Nomination Committee under the Swedish Corporate Governance Code.

Work of the Nomination Committee

In the period up to and including 31 March 2022, the Nomination Committee held four minuted meetings and maintained contact between meetings. To assess the extent to which the current Board of Directors fulfils the requirements to be made of the Board based on the Company's situation and future focus, the Nomination Committee has discussed the size of the Board and its composition as regards experience of the industry, skills and diversity, for example. The Company applies the Swedish Corporate Governance Code item 4.1 as its diversity policy for the Board of Directors. This means that the Board's composition is to be appropriate with respect to the Company's business, stage of development and conditions in general, with diversity and breadth in terms of the skills, experience and background of the members elected by the AGM. Even gender distribution is desirable. The Board of Directors presently consists of three women and five men. The Nomination Committee proposes that it consist of four women and four men after the 2022 AGM. The work of the Nomination Committee ahead of the 2022 AGM has focused on finding a replacement for Anders Snell and of boosting the Board's expertise within certain areas, such as digitalisation. The Nomination Committee has also evaluated the levels of fees for the Board of Directors. No remuneration has been paid for the work of the Nomination Committee. All shareholders are entitled to contact the Nomination Committee and propose board members. The Committee's proposals, the report on the Committee's work ahead of the 2022 AGM, and supplementary information on proposed members of the Board of Directors will be published in connection with the meeting notice and will be presented at the 2022 AGM.

D. Board of Directors

Work and responsibilities of the Board of Directors

The Board of Directors manages the Company on behalf of the owners and is thus ultimately responsible for the Company's organisation and administration. The work and responsibilities of the Board of Directors are regulated by the Swedish Companies Act, Board Representation (Private Sector Employees) Act, AFRY's Articles of Association, the Board's own Rules of Procedure, Nasdaq's Rulebook for Issuers of Shares and the Swedish Corporate Governance Code. The Board of Directors determines and evaluates the Company's long-term goals and strategies. This includes establishing business plans and financial plans, reviewing and approving the annual accounts, adopting guidelines, taking decisions on issues concerning acquisitions and divestments, and deciding on larger investments in or significant changes to AFRY's organisation and operations. The Board of Directors is responsible for the Corporate Governance report. It should ensure that there are processes in place that monitor compliance with relevant laws and regulations. The Board also regularly monitors that effective control systems are in place and is responsible for evaluating the Company's risk management. The Board also monitors compliance with the Group's Code of Conduct and ensures that a whistle-blower system is in place for employees and external parties. The Board of Directors also appoints, evaluates and dismisses the Company's President and CEO, establishes instructions for the President and CEO regarding daily operations and approves any President and CEO appointments outside of the Company. Through the Audit Committee, the Board of Directors contracts auditing services, keeps in regular contact with the Company's accountants and ensures good internal control, along with formal procedures that enable monitoring and assessment of the Company's financial situation. Through the Remuneration Committee, the Board of Directors also handles salaries and remuneration of senior executives. The Board of Directors also has a special Project Committee tasked with reviewing and approving very large and important projects and assignments that the Company is considering, from a financial perspective. For the Board of Directors, these committees are preparatory bodies and do not limit the Board's overall responsibility for the management of the Company or the decisions it makes.

Composition of the Board of Directors

The Board of Directors of AFRY AB is to consist of a minimum of six and a maximum of ten members with a maximum of five deputies to be appointed by the General Meeting. Eight board members were elected at the 2021 AGM. The members are elected annually for the period up to the next AGM and must devote the time, care and knowledge required to best meet the interests of the Company and its owners. The trade unions or professional associations also appoint two employee representatives and two deputies. The President and CEO is not a member of the Board of Directors. The following members were re-elected to the Board of Directors for 2021 as proposed by the Nomination Committee: Gunilla Berg, Henrik Ehrnrooth, Joakim Rubin, Kristina Schauman and Anders Snell. The following members were newly elected to the Board of Directors for 2021 as proposed by the Nomination Committee: Tom Erixon, Carina Håkansson and Neil McArthur. Tom Erixon was elected by the AGM to serve as Chairman of the Board up until the close of the next AGM. For more information on the Board of Directors, please refer to pages 50–51 of the Annual Report. The President and CEO is rapporteur at Board meetings. The Company's CFO participates in all meetings, as does the Group General Counsel, who acts as secretary to the Board of Directors. Other Company employees are invited to present reports or provide expertise when necessary.

Diversity policy for the Board of Directors

Rule 4.1 of the Swedish Corporate Governance Code is applied as a diversity policy for the Board of Directors. The aim is for the Board of Directors to have an appropriate and versatile composition regarding experience and background, and that there should be a balanced gender distribution on the Board.

Independence of the Board of Directors
The composition of the Board of Directors of AFRY AB meets the requirements of the Swedish Corporate Governance Code concerning independent members. Members of the Board of Directors Anders Snell and Carina Håkansson are dependent in relation to AFRY AB's shareholder with the most voting rights but are independent of the Company and Group management. None of the other Board members are dependent in relation to the Company's largest shareholders, the Company or Group management.

Rules of Procedure for the Board of Directors
Besides the general responsibilities set out by the Swedish Companies Act and the Swedish Corporate Governance Code, the Board of Director's work is regulated by its Rules of Procedure, which are reviewed annually and then confirmed at the inaugural meeting. The Rules of Procedure describe the duties of the Board of Directors, the division of responsibility between the Board, its committees and the President and CEO, the Board's schedule of meetings, notice to attend, agenda and meeting minutes, and the Board's work on accounting and audit matters. The Rules of Procedure also define the role of the Chairman of the Board and include special instructions for the Company's President and CEO concerning what financial information should be reported to the Board so that it can regularly assess the Company's financial situation. The Board of Directors holds an inaugural meeting in connection with the AGM. In addition, the Board of Directors is required to meet at least six times per calendar year.

Work of the Board of Directors in 2021
Prior to each board meeting, the Company's President and CEO prepares an agenda in consultation with the Chairman of the Board. In 2021, the Board of Directors held 13 meetings including one inaugural meeting. Four of the meetings were held in connection with the publication of the Company's interim reports. Regular items include financial results, outstanding orders, investments, acquisitions and governance, risk and compliance (GRC). In addition, much time was spent on strategy with emphasis on digitalisation and establishment of a new division called AFRY X, sustainability, changes in market conditions, profitability and growth in the Infrastructure Division, and the status of the pandemic. Various personnel issues were also reviewed.

Evaluation of the Board of Directors and the President and CEO
The evaluation of the Board of Directors and President and CEO includes climate of cooperation, breadth of knowledge and board work performance. The intention of the evaluation is to gain an understanding of the effectiveness of the board work and the opinions of the Board members on this matter. The Board of Directors also regularly evaluates the work of the President and CEO by following business performance against targets set. Once a year a formal evaluation is made that is discussed with the President and CEO. An evaluation of the Board of Directors' work in 2021 was performed by interviewing individual members of the Board and the President and CEO.

Remuneration of the Board of Directors
Remuneration of members of the Board of Directors for board and committee work is proposed by the Nomination Committee and approved by the AGM. The Nomination Committee's proposals are based on comparisons with remuneration at other companies of similar size in the same industry. Information on remuneration of members of the Board of Directors can be found in Note 6. Members of the Board of Directors do not participate in the Group's incentive programmes.

E. Remuneration Committee
The task of the Remuneration Committee is to prepare the guidelines for the remuneration of senior executives which is then decided by the AGM, and to submit proposals to the Board of Directors for the salary and terms and conditions for the President and CEO.

Board composition and attendance at Board and Committee meetings

Directors	Board of Directors meetings	Audit Committee	Remuneration Committee	Project Committee	Independent of major shareholders	Independent of the company and its management
Tom Erixon[1]	6/6		2/2	1/1	Yes	Yes
Gunilla Berg	12/13	6/6		1/1	Yes	Yes
Henrik Ehrnrooth	13/13		5/5	1/1	Yes	Yes
Carina Håkansson[1]	6/6	3/3			No	Yes
Neil McArthur[1]	6/6				Yes	Yes
Joakim Rubin	13/13		5/5		Yes	Yes
Kristina Schauman	13/13	6/6			Yes	Yes
Anders Snell	13/13	3/3			No	Yes
Anders Narvinger[2]	7/7		3/3		Yes	Yes
Jonas Abrahamsson[2]	6/7				Yes	Yes
Salla Pöyry[2]	7/7				Yes	Yes
Ulf Södergren[2]	6/7				Yes	Yes
Employee representatives						
Tomas Ekvall	12/13				Yes	No
Fredrik Sundin[3]	6/6				Yes	No
Jessica Åkerdahl (suppleant)	4/13				Yes	No
Bodil Werkström (suppleant)[3]	1/6				Yes	No
Stefan Löfqvist[4]	5/7				Yes	No

1) Appointed board member at the Annual General Meeting 3 June 2021
2) Resigned as board member at the Annual General Meeting 3 June 2021
3) Elected as employee representative on 15 April 2021
4) Resigned as employee representative on 15 April 2021

On behalf of the Board, the committee is also to deal with matters regarding salary and other terms of employment for senior executives who report directly to the President and CEO, and deal with general terms of employment and remuneration matters affecting all employees of the Company.

The Remuneration Committee held five minuted meetings during the year. Since the inaugural meeting of the Board of Directors in 2021, the Committee has consisted of Tom Erixon (Chair), Joakim Rubin and Henrik Ehrnrooth.

F. Audit Committee

The Board's Audit Committee must ensure that there is compliance with the financial reporting and internal control policies. It follows up the effectiveness of the internal control systems and reviews the financial processes to ensure that the information can be derived from the underlying financial systems, that it complies with legal requirements and is in line with relevant standards. It examines the procedures for accounting and financial control and processes the Company's financial reports. It also monitors, evaluates and discusses material questions in the field of accounting and reporting.

The Committee evaluates and also manages information about GRC, disputes and possible irregularities, and assists management in identifying and evaluating mainly financial and equivalent risks that may have a bearing on the operations to ensure that the work focuses on managing these risks. It also examines the Company's information security systems and the contingency plans that are in place to ensure delivery of financial information. The Audit Committee has decision-making powers regarding internal audits and must ensure the effectiveness of this function by evaluating its activities, resources and structure. It must also review the results and recommendations of internal audits to ensure that they are appropriately managed.

The Audit Committee has regular meetings with the external auditors and examines their work, qualifications and independence. The results of this are annually communicated to the Company's Nomination Committee. The Committee supports the Nomination Committee in their work with nominating auditors and also carries out an annual review of the proposed scope of the audit. Internal meetings, meetings with internal auditors, the external auditors and various specialists in Group management and its support functions are reported back to the Board of Directors.

The Committee examines significant results from the external audit and also the resulting recommendations issued by the external auditors. It must also establish guidelines to ensure the independence of the external auditors.

The Audit Committee held six minuted meetings during the year. Since the inaugural meeting of the Board of Directors in 2021, the Committee has consisted of Kristina Schauman (Chair), Gunilla Berg and Carina Håkansson. KPMG, the Company's audit firm, has been represented by chief accountant Joakim Thilstedt and Henrik Lind.

G. Project Committee

The Project Committee is tasked with reviewing and approving very large and important projects and assignments that the Company is considering, from a financial perspective. The Committee held one minuted meeting in 2021 and since the inaugural meeting of the Board of Directors in 2021, the Committee has consisted of Tom Erixon (Chair), Gunilla Berg and Henrik Ehrnrooth.

H. Auditors

The task of the auditors is to examine on behalf of the shareholders the Company's bookkeeping and annual accounts and the administration by the Board of Directors and President and CEO. The annual accounts and consolidated accounts are audited. The auditors also review the nine-month interim report for the period up to September each year and attend some Audit Committee meetings. In addition, a general review of the sustainability report is carried out, a review of the Group's Corporate Governance report and of compliance with the guidelines approved by the AGM relating to remuneration of senior executives. The 2021 AGM re-elected the auditing firm KPMG, represented by Joakim Thilstedt as the auditor in charge, to serve as the Company's auditor until the end of the 2022 AGM. The Audit Committee has resolved to recommend that the Nomination Committee propose the appointment of KPMG as auditor to the 2022 AGM for the period extending up until the 2023 AGM. See Note 5 for more detailed information on audit fees.

I. President and CEO

The President and CEO is responsible for ensuring that ongoing administration of the Company is managed according to the Board of Directors' guidelines and directions. In consultation with the Chairman of the Board, the President and CEO produces the information and documentation needed as supporting information for the Board's work, to enable the Board to make well-informed decisions. The President and CEO is supported by Group management. The President and CEO and Group management, with the support of various staff functions, are responsible for the Group's fulfilment of its overall strategy and its financial and business controls, as well as the Group's financing, capital structure, risk management and acquisitions.

J. Group management

At the end of 2021 Group management consisted of President and CEO Jonas Gustavsson, CFO Juuso Pajunen, and eight others. Group management normally meets once a month to discuss matters such as the Group's financial performance, budget, acquisitions, Group-wide development projects, succession planning and professional development, GRC, sustainability and other strategic issues. In 2021, special attention has been paid to the Covid-19 pandemic, digitalization and the establishment of a new division, AFRY X, sustainability, changing market conditions, as well as the growth and profitability of the Infrastructure Division. Group management held 12 full-day meetings in 2021 and also a two-day meeting attended by other managers from the Group. Monthly and quarterly, the President and CEO and CFO review the income statement and balance sheet, key ratios and major projects with the respective divisional heads and controllers, together with other invited members of Group management. Three times a year a whole-day review is held with each division to examine more long-term issues, including HR, strategy and budget. For more information about the members of Group management, please see pages 52–53 of the Annual Report. In 2021, Per Kristian Egseth was appointed Head of Division AFRY X and Henrik Tegnér was appointed Head of Strategy and Sustainability, with both becoming new members of Group management from 1 January 2022. As of this date, Group management will thus consist of 12 persons.

Remuneration of senior executives

Every year the AGM adopts guidelines for the remuneration of senior executives. The guidelines for the Group adopted at the 2021 AGM and information on remuneration of senior executives paid in 2021 can be found in Note 6.

The Remuneration Committee's evaluation led to the conclusion that the guidelines for remuneration of senior executives adopted by the 2021 AGM have been followed.

Current guidelines for remuneration of the President and CEO and senior executives are available in Note 6. The newly proposed guidelines are found on page 55.

The Board of Directors' Report on Internal Control

The Board of Director's responsibility for internal control is regulated in the Swedish Companies Act and by the Swedish Code of Corporate Governance, which set out requirements for annual external disclosure of information on how internal control regarding financial reporting is organized.

The objectives of internal control are to ensure that the Company's operations are efficient and effective, that financial reports are trustworthy, and that relevant laws and regulations are complied with. The systematic approach is described below in accordance with the COSO framework for internal control, which is based on the elements of Control Environment, Risk Assessment, Control Activities, Information and Communication and Follow-up. The internal control and risk management processes are not static, nor are they separate from the operations, but AFRY refines its approach continuously to ensure that the processes are incorporated into AFRY's operations.

Control Environment

The Control Environment forms the basis for internal control and reflects the Company's ethical values, corporate culture, financial targets, and sustainability targets. The guiding principles are to ensure that decision-making paths, responsibilities, and the delegation of authority are clearly defined and communicated between the various levels in the organisation, and that the objectives of internal control are achieved. The Rules of Procedure for the Board of Directors and the instructions for the President and CEO ensure clear roles and division of responsibility aimed at effective management and oversight of the operation's risks. The Group Management is also responsible for oversight of the internal controls required to handle significant risks in operating activities and financial reporting. Operational decisions are taken at Group level, while decisions on strategy, overall financial matters, acquisitions, and major investments are taken by AFRY's Board of Directors with support from Group Management. See the Corporate Governance Report for more information on the work of the Board of Directors and the Group Management on pages 44–46. AFRY's internal authorisation system clarifies levels and procedures for delegating operational decisions. A special committee known as GRECS (Governance, Risk, Ethics, Compliance and Sustainability), which consists of members of Group Management such as the President and CEO, CFO, General Counsel, Head of Communication, Head of HR, Head of Strategy and Sustainability and other key people such as the Chief Compliance and Ethics Officer and the Head of Security, meets regularly and follow up on the roll-out and implementation of relevant programmes, preventive measures and control activities. For example, the Committee has led the roll-out of the framework for steering documents, enterprise risk management, the compliance and ethics programmes, sustainability targets, mandatory training, occupational health & safety program, data protection and information security.

Risk Assessment

The Board of Directors has the ultimate responsibility for limiting and monitoring AFRY's risk exposure. It assesses the risk profile on a regular basis and annually approves the Group's risk heatmap. The Audit Committee has continuous and regular contact with the Group's internal and external auditors to evaluate risks in financial reporting. Under the supervision of the Board, Group management and the organisation are responsible for risk management in day-to-day operations. AFRY's risk assessment regarding financial reporting aims to identify and evaluate the most significant risks in the Group's companies, business areas, divisions, processes, and operations which, in turn, might impact the financial results and the operation's ability to achieve its goals as a whole. The risk assessment results in a basis for how the risks are to be managed and controlled, as well as in control activities that support the fulfillment of the basic requirements for external financial reporting. AFRY has implemented evaluation and management processes that include the Company's operating activities and financial reporting, as well as project-specific risk assessments for managing project risks. Structured procedures provide the basis for the assessment, management, and control of risks so that risks are managed as an integral part of the business operations. A central evaluation process in the tendering procedure is the Code of Conduct Assessment process, which was launched in 2020 and reflects AFRY's Code of Conduct and, consequently, the ten principles of the UN Global Compact. The risk assessment that is carried out evaluates trade compliance risks, security risks, environmental and social risks, as well as other sustainability risks linked to customers, countries, sectors, business partners and type of opportunity. The risk assessment is supported by a country risk database, which continuously updates political, regulatory, security and operational risks and specialised databases for third-party reviews. The Code of Conduct Assessment process and its outcome are described further in the sustainability notes on page 120.

Control Activities

To ensure that the business is run efficiently and that the scheduled financial reports consistently provide a true and fair view, control activities are built into key processes. These control activities involve all levels of the Group. The responsibility for carrying out the control activities is distributed in the Group, where clear roles ensure efficiency and reliability. Specific control activities are in place, aimed at detecting or preventing the risk of misstatements in financial reporting in a timely manner. Financial controls are operated by AFRY's central Finance Department with support from the divisions' financial staff through harmonised control processes. A continuous profit analysis is performed for all the Group's units, including the foreign units. All accounting and reporting relating to the Group's Swedish units is centralized in the Finance Department at the Head Office, with harmonized control processes. Examples of control activities are performance analyses, control elements within the processes – income and receivables, payments, fixed assets, work in progress, salary, VAT / tax, current accounting, consolidation and reporting and register maintenance. During the year, AFRY began the implementation of a new Group-wide business system (ERP) to strengthen the controls.

AFRY has implemented a Group-wide management system, which is used for operational management and support. The management system consists of policies, directives, processes, procedures, and tools, which provide the conditions for ensuring that the adopted requirements and expectations are met in a sound control environment. The sales and delivery processes support operational activities in meeting and ensuring compliance with customer requirements, legal requirements and AFRY's obligations under the UN Global Compact. These processes are adapted in the operations to suit different technical areas, sectors, and markets. Additional control activities include data access controls and authorisation controls. The development of control activities is managed centrally within the GRC (Governance, Risk and Compliance) framework, while divisional management teams are responsible for implementing the relevant control activities within their own organisations.

Information and Communication

Information on governing policies, internal guidelines, process descriptions, manuals, procedures, and tools applicable to internal control and financial reporting can be found in the management system that is available to all employees via the Group's intranet. The intranet also contains guidelines and tools provided by the appropriate support functions. Updates are carried out in the event of any changes in internal or external requirements and expectations regarding internal control and financial reports. A communication policy sets out guidelines for how communication with external parties should be managed. The purpose of the policy is to ensure correct and complete compliance with all information obligations. The purpose of internal communication is to ensure that all employees understand the Company's values, focus and business operations. To achieve the objective of informed employees, the Company has adopted a proactive approach, in which information is regularly communicated via the Group's intranet, through updates for managers and distribution through the divisions' quality coordinators and finance units, as well as targeted training initiatives.

Follow-up

Compliance with and the efficiency of internal controls are monitored on a continuous basis both by the Board of Directors and management to ensure high quality processes. The Company's financial situation and strategy in respect to its financial position are considered at every Board meeting. In addition, the Board of Directors receives monthly reports on the financial position and development of the business. The Audit Committee fulfils an important function by ensuring control activities are in place to manage material risk areas in the processes for the financial reporting. The Committee sets out the principles applicable to accounting and financial reporting. The Audit Committee meets with the external auditors to obtain information about the focus and scope of the audit, and to discuss outcomes and co-ordination of the external and internal audits. The Committee also establishes the focus, scope and schedules of the internal auditors, whose work is reported to the Audit Committee. Reports are also regularly shared with management for possible action. The Audit Committee also receives regular updates on GRC from the General Counsel. At least one Board meeting per year evaluates the internal control over financial reporting. At the same meeting, the Board also evaluates the Group's risk management.

AFRY's system for financial management and control paves the way for effective financial monitoring throughout the operations. Reports are generated monthly for each profit centre and reports on project finances are typically reliable and detailed. Identified errors and measures taken are reported in the line organisation to an immediate superior. The implementation of the management system is continuously monitored through the internal audit and quality review programmes. AFRY conducts regular audits and quality reviews of the operations to monitor the application of internal controls and the management system and to ensure that they live up to the Group's internal ambitions, external requirements, and expectations. The prioritised areas for the audits are quality, environment and working environment, processes and systems, observance of the risk management process in the tendering procedure and quality review of the projects which the Group has undertaken to carry out. Reports are produced to the President and CEO and to Group management.

Internal Audit

AFRY has an independent internal audit function that is responsible for monitoring and evaluating risk management and internal control. This work includes, among other things, reviewing how well the established guidelines are complied with. The internal audit staff plan their work in consultation with the Audit Committee and regularly report the results of their audits to the Audit Committee and Group Management. Internal audits are carried out for individual divisions and support functions, as well as for Company-wide processes and in thematic areas. An action plan is prepared jointly with the appropriate business owner to tackle all observations made. The internal audit staff then follow up, in conjunction with the business owner, to ensure that every highlighted observation is addressed within a defined time period.

Sustainability

Sustainability is an integral part of AFRY's vision, mission, and strategy. The ten principles and guidelines of the UN Global Compact for business and human rights, the OECD Guidelines for Multinational Enterprises and the Global Goals for Sustainable Development are the foundation of the Company's approach. The Company's sustainability goals underpin the practical work within the operation and are central to the Company's growth strategy and are monitored by the Board of Directors and Group Management. The statutory sustainability report, whose content is given on page 118 of the Annual Report, has been approved for issue by the Board of Directors.

Auditor's report on the Corporate Governance Statement

To the general meeting of the shareholders of AFRY AB, corp. id 556120-6474

Engagement and responsibility

The Board of Directors is responsible for the corporate governance report for 2022 on pages 43–48 and for preparing it in accordance with the Annual Accounts Act.

Focus and scope of the audit

Our examination has been conducted in accordance with FAR's statement RevU 16 Auditor's review of the corporate governance report. This means that our examination of the corporate governance report has a different focus and is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with a sufficient basis for our opinions

Opinions

A corporate governance report has been prepared. Disclosures in accordance with chapter 6, section 6, second paragraph, points 2–6 of the Annual Accounts Act and chapter 7, section 31, second paragraph of the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, 30 March 2022
KPMG AB

Joakim Thilstedt
Authorised Public Accountant

Board of Directors

1 **Tom Erixon**
Chairman of the Board and Chair of the Remuneration and the Project Committees
Elected: 2021
Born: 1960
Education: Master of Law from Lund University, Sweden and MBA in Business Administration from IESE, Spain.
Current position and other significant duties: President and CEO of Alfa Laval and Chairman of the Board of Teknikföretagen.
Professional experience: President and CEO of the Ovako Group, President of Sandvik Coromant, Managing Partner for Boston Consulting Group and Practice Leader Industrial Goods.
Shareholding: 15,000 Class B shares.

2 **Gunilla Berg**
Director and member of the Audit Committee
Elected: 2017
Born: 1960
Education: B.Sc in Economics and Business Administration, Stockholm School of Economics.
Current position and other significant duties: Board member Atrium Ljungberg AB and Praktikertjänst AB.
Professional experience: CFO, PostNord, Vice President and CFO of the SAS Group, Vice President and CFO of the KF Group.
Shareholding: 1,000 Class B shares.

3 **Henrik Ehrnrooth**
Director and member of the Remuneration Committee and Project Committee
Elected: 2019
Born: 1954
Education: M.Sc. in Forest Economics, University of Helsinki and B.B.A., Hanken School of Economics in Helsinki.
Current position and other significant duties: Chairman of the Board of Otava Group, Chairman of the Advisory Board of Climate Leadership Coalition and a Board member of the Marcus Wallenberg Foundation.
Professional experience: CEO of Pöyry, Chairman of the Board of YIT Corporation and Caverion Corporation.
Shareholding: 3,465,996 Class B shares through Corbis S.A.

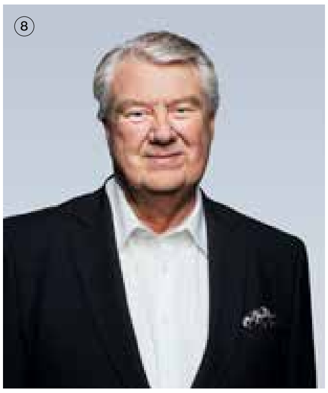
4 **Carina Håkansson**
Director and member of the Audit Committee
Elected: 2021
Born: 1961
Education: Master of Science in Forestry, Swedish University of Agricultural.
Current position and other significant duties: Chairman of the ÅForsk Foundation and Board member of SCA and Board member of Vasaloppet.
Professional experience: Director general, Swedish Forest Industries Federation, CEO of Dalakraft and CEO of Stora Enso Skog/Wood Supply Sweden.
Shareholding: 1,000 Class B shares.

5 **Neil McArthur**
Director
Elected: 2021
Born: 1961
Education: MBA – INSEAD, BSc Hons Civil Engineering, University of Glasgow and CEng MIMechE.
Current position and other significant duties: Senior partner within Energy division at Oliver Wyman.
Professional experience: CEO and Chairman of the Executive Board of Arcadis N.V., Executive Board Member, Senior Vice President and Managing Director Europe at Booz & Company and several Project Management positions within Shell International Petroleum Exploration & Production.
Shareholding: 3,334 Class B shares.

6 **Joakim Rubin**
Director and member of the Remuneration Committee
Elected: 2012
Born: 1960
Education: Engineering degree, Institute of Technology, Linkoping University.
Current position and other significant duties: Partner EQT Public Value. Board member of Storytel AB.
Professional experience: Partner Zeres Capital, Senior Partner CapMan. Head of Corporate Finance and Debt, Handelsbanken Capital Markets.
Shareholding: –

Shareholding on 31 December 2021, including related party holdings.






⑦ **Kristina Schauman**
Director and Chair of the Audit Committee
Elected: 2012
Born: 1965
Education: MBA, Stockholm School of Economics
Current position and other significant duties: BillerudKorsnäs AB, Nordic Entertainment Group AB, BEWi ASA, Coor Service Management Holding AB and Ellos Group Holding AB.
Professional experience: CFO of OMX, Carnegie and Apoteket AB, CEO of Apoteket AB and Group Treasurer of Investor AB.
Shareholding: 3,333 Class B shares.

⑧ **Anders Snell**
Director
Elected: 2009
Born: 1950
Education: M.Sc. Engineering, Royal Institute of Technology (KTH), Stockholm
Current position and other significant duties: Chairman of the Board of Wibax AB and executive member of the ÅForsk Foundation.
Professional experience: Senior Vice President BillerudKorsnäs, Senior Vice President AssiDomän, CEO Grycksbo, CEO Norrsundet Bruks AB, Chairman of the Board of the ÅForsk Foundation.
Shareholding: 4,000 Class B shares.

⑨ **Tomas Ekvall**
Director, employee representative
Elected: 2017
Born: 1981
Education: Engineer, IT & Automation
Current position: Employed in Division Industrial & Digital Solutions.
Shareholding: 344 Class B shares.

⑩ **Fredrik Sundin**
Director, employee representative
Elected: 2021
Born: 1972
Education: M.Sc. Engineering physics, Uppsala University
Current position: Employed in Division Industrial & Digital Solutions.
Shareholding: –

⑪ **Jessica Åkerdahl**
Deputy employee representative
Elected: 2019
Born: 1974
Education: Engineer
Current position: Employed in Division Industrial & Digital Solutions
Shareholding: –

⑫ **Bodil Werkström**
Deputy Director, employee representative
Elected: 2021
Born: 1975
Education:
Current position: Employed in Division Infrastructure.
Shareholding: –

Auditors
KPMG AB
Auditor in charge
Joakim Thilstedt

Group Executive Management

① **Jonas Gustavsson**
President and CEO
Employed: 2017
Born: 1967
Education: M.Sc. Engineering, Luleå University of Technology
Professional experience: Business Area Manager Sandvik Machining Solutions 2013–2017 and Sandvik Materials Technology 2011–2013. Prior to that, several leading positions at Sandvik and Vice President of Operations at BRP-Rotax (Austria). Leading positions at Bombardier and ABB.
Shareholding: 11963 B shares. 2019 Staff Convertible Programme: nominal amount SEK 6,000,000.

② **Juuso Pajunen**
CFO
Employed: 2019
Born: 1981
Education: M.Sc. (Econ.) Helsinki School of Economics, 2005
Professional experience: CFO Pöyry 2016–2019, various finance positions at Pöyry 2004–2016
Shareholding: 8316 Class B shares, 2019 Staff Convertible Programme: nominal amount SEK 900,000.

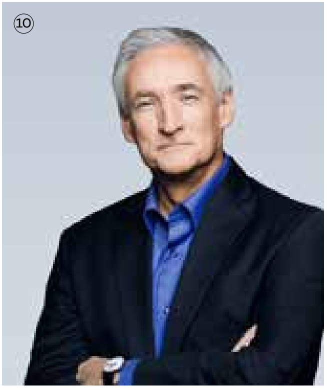
③ **Jenny Lilja Lagercrantz**
Head of Human Resources
Employed: 2021
Born: 1972
Education: Bachelor's degree in personal development and labour market relations, Stockholm University/+ B.A. Stockholm University
Professional experience: Leading HR roles in several international companies such as Nasdaq, Skandia, NCC and Bonava/+ Managerial positions in Human Resources, including Nasdaq, Skandia, NCC and Bonava
Shareholding: -

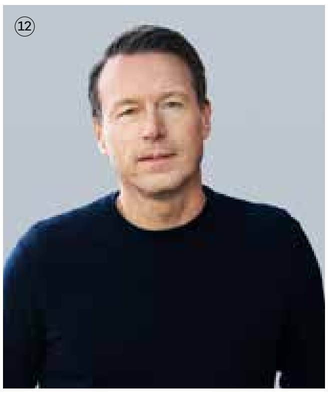
④ **Cathrine Sandegren**
EVP and Head of Communications and Brand
Employed: 2016
Born: 1977
Education: Graduate Diploma in Business Administration, Copenhagen Business School
Professional experience: Head of Corporate IR and Internal Communication ÅF, Corporate Communication Manager, SAS
Shareholding: 500 B shares. 2019 Staff Convertible Programme: nominal amount SEK 3,000,000. 2020 Staff Convertible Programme: nominal amount SEK 3,000,000.

⑤ **Susan Gustafsson**
Group General Counsel
Employed: 2019
Born: 1973
Education: Law degree (L.L.M) from Lund and Maastricht University, INSEAD Leading Innovation Programme
Professional experience: Group General Counsel (2015–2019) - MTG Modern Times Group and Nordic Entertainment Group, Stockholm. EVP General Counsel Martell Mumm Perriet-Jouët (2008–2015), M&A and corporate lawyer (2003–2008) - Pernod Ricard, Paris.
M&A and corporate lawyer (1999–2003) - Advokatfirman Vinge och Landwell & Partners, Paris.
Shareholding: 1,000 Class B shares. 2019 Staff Convertible Programme: nominal amount SEK 3,000,000.

⑥ **Henrik Tegnér**
EVP and Head of Strategy and Sustainability
Employed: 2020
Born: 1970
Education: M.Sc. Industrial Engineering and Management, Chalmers University of Technology
Professional experience: 2020–2021, Head of AFRY Energy Management Consulting in Sweden. Accenture 1996–2019 in various positions, Managing Director and Head of Utilities Nordic
Shareholding: 700 Class B shares.

Shareholding on 31 December 2021, including related party holdings.





⑦ **Malin Frenning**
EVP and Head of Infrastructure Division
Employed: 2019
Born: 1967
Education: Mechanical Engineering education. Luleå University of Technology
Professional experience: CEO County Council of Stockholm 2016–2019. CEO Telia Sverige and EVP TeliaSonera Region Sweden 2014–2015. President for Business Area Broadband, TeliaSonera Group 2011–2014.
Shareholding: 1,250 Class B shares, 2019 Staff Convertible Programme: nominal amount SEK 3,000,000
2020 Staff Convertible Programme: nominal amount SEK 3,000,000.

⑧ **Robert Larsson**
EVP and Head of Industrial & Digital Solutions Division
Employed: 2018
Born: 1967
Education: M.Sc. Engineering
Professional experience: Several leading executive positions at ABB, most recently Lead Division Manager, Robotics & Motion Scandinavia
Shareholding: 4,000 Class B shares, 2019 Staff Convertible Programme: nominal amount SEK 2,000,000.

⑨ **Nicholas Oksanen**
EVP and Head of Process Industries Division
Employed: 1993 (Pöyry)
Born: 1967
Education: M.Sc. Paper Technology and Economics, Helsinki University of Technology, Finland 1993
Professional experience: Pöyry, President, Business Unit Pulp and Paper 2009–2019, Pöyry, various leading positions within Pulp and Paper 1997–2009, Jaakko Pöyry Deutschland GmbH, Process Engineer 1995–1997, Pöyry, Paper Technology Division, Process Engineer 1993
Shareholding: 2019 Staff Convertible Programme: nominal amount SEK 3,000,000.
2020 Staff Convertible Programme: nominal amount SEK 3,000,000.

⑩ **Richard Pinnock**
EVP and Head of Energy Division
Employed: 1997 (Pöyry)
Born: 1962
Education: B.Comm. (Hons), University of South Africa, South Africa, 1991,B.Sc. Mechanical Engineering, University of Witwatersrand, South Africa, 1983, LPSF Executive Programme, Harvard Business School, USA, 2002.
Professional experience: President, Energy Business Group and Executive Vice President at Pöyry. Joined Pöyry in 1997. Before that, experience from working at Eskom in South Africa and at UCI International, Germany.
Shareholding: 2019 Staff Convertible Programme: nominal amount SEK 3,000,000.
2020 Staff Convertible Programme: nominal amount SEK 3,000,000.

⑪ **Roland Lorenz**
EVP and Head of Management Consulting Division
Employed: 1999 (Pöyry)
Born: 1970
Education: Computer Science and Electrical Engineering, University of Applied Science Dortmund and University Bochum, Germany
Professional experience: VP and Head of Energy Management Consulting Nordics, Central and Southern Europe at Pöyry 2010–2019, MD and Head of Energy Management Consulting at Pöyry 2007–2010 and prior to that, various managerial positions in management consulting.
Shareholding: 3,000 Class B shares, 2019 Staff Convertible Programme: nominal amount SEK 900,000
2020 Staff Convertible Programme: nominal amount SEK 3,000,000.

⑫ **Per Kristian Egseth**
EVP and Head of Division AFRY X
Employed: 2021
Born: 1974
Education: M.Sc. London school of economics, B.Sc Copenhagen Business School
Professional experience: Leading positions at Hitachi and IBM within digitalisation
Shareholding: 1,395 Class B shares.

Administration report

The Board of Directors and the President and CEO of AFRY AB (publ), corporate identity number 556120-6474, hereby submit the annual report and consolidated accounts for the 2021 financial year. AFRY AB, is the parent of the Group and its registered office is in Stockholm.

Business
AFRY is a European leader in sustainable engineering and advisory services, with a global reach. With 17 000 devoted experts worldwide in infrastructure, industry, energy and digitalisation, creating sustainable solutions for generations to come. AFRY's core markets are Sweden, Norway, Denmark, Finland and Switzerland, which account for approximately 80 percent of net sales.

Net sales and profit
Net sales for the year amounted to SEK 20,104 million (18,991), an increase of 5.9 percent (-4.0). Organic growth was 5.6 percent (-6.4) and 5.3 percent (-7.1) when adjusted for calendar effects.

During the comparative period, the Group received state subsidies to the value of SEK 188 million, which was reported as other income.

EBITA and the EBITA margin were SEK 1,662 million (1,509) and 8.3 percent (7.9) respectively. The effects of IFRS 16 Leases were SEK -3 million (33) on EBITA and SEK 564 million (554) on EBITDA. Adjusted for non-recurring costs, EBITA amounted to SEK 1,712 million (1,635). The corresponding EBITA margin was 8.5 percent (8.6). Items affecting comparability totalled SEK -50 million (-126) and relate to costs for adaptation or configuration of cloud-based IT systems and restructuring costs for the Infrastructure Division. The comparative period concerned costs for adaptation or configuration of cloud-based IT systems and restructuring costs for the Energy Division and the Industrial & Digital Solutions Division.

Capacity utilisation was 74.7 percent (75.6) for the year.

EBIT totalled SEK 1,523 million (1,382). The difference between EBIT and EBITA consists of acquisition-related non-cash items: amortisation of acquisition-related non-current assets amounting to SEK -159 million (-184), the change in estimates of future contingent considerations amounting to SEK 36 million (62), write-down of surplus value of real estate of SEK -17 million (-) and capital gain from divestment of operations of SEK 0 million (-6).

Profit after financial items was SEK 1,393 million (1,196) and profit after tax for the period was SEK 1,130 million (932). Net financial items amounted to SEK -129 million (-185) during the period, with the change mainly attributable to lower interest expenses and reduced currency effects. Net financial items were also affected by discount rates related to leases in accordance with IFRS 16 Leases amounting to SEK 46 million (55) and discounting of contingent considerations totalling SEK 5 million (9) that did not affect cash flow. The tax expense amounted to SEK 264 million (264), corresponding to a tax rate of 18.9 percent (22.1). The tax rate for the year was affected by the utilisation of accumulated losses, lowered corporation tax in Sweden and reduced non-deductible costs.

Acquisitions and divestments
In 2021, 17 businesses were acquired, which are expected to contribute net sales of approximately SEK 724 million over a full year. See Note 3.

Cash flow and financial position
Consolidated net debt including IFRS 16 Leases amounted to SEK 5,726 million (5,193). Consolidated net debt excluding IFRS 16 Leases amounted to SEK 3,565 million (2,756) at year-end and SEK 2,756 million (4,424) at the start of the year. Cash flow from operating activities excluding IFRS 16 Leases reduced net debt by SEK 981 million (1,586). Cash flow from operating activities including IFRS 16 amounted to SEK 1,498 million (2,004). Net debt for the year increased due to acquisitions and contingent considerations paid totalling SEK 1,159 million (154). A dividend of SEK 566 million was paid in the second quarter of 2021.

The company issued commercial papers in June to the value of SEK 300 million as part of its commercial paper programme. Share buy-backs related to the convertible programme in 2020 were carried out during the third quarter. The company issued commercial papers in September to the value of SEK 550 million as part of its commercial paper programme. During the fourth quarter, a loan of EUR 81 million that fell due in December was repaid through an SEK 1,000 million obligation issued within the MTN programme and a new seven-year loan of EUR 50 million was raised. Issued commercial papers amounted to SEK 600 million at the end of December.

Consolidated cash and cash equivalents totalled SEK 2,112 million (1,930) at the end of the year, and unused credit facilities amounted to SEK 2,451 million (3,050).

Covid-19 update
AFRY has broad exposure to a number of industries and operates in several different markets. The Covid-19 pandemic continues to create uncertainty, which results in delays in some segments. AFRY is continuously monitoring risks related to the pandemic and taking measures to mitigate its effect on the Group.

Valuation of the Group's assets and provisions
AFRY tested the valuation of the Group's goodwill as of the third quarter. The review did not indicate that any impairment loss had arisen. A follow-up was carried out to examine whether there were any indications showing a need to conduct updated impairment tests as of 31 December 2021. No such indications were found. No significant provisions were made during the period.

Parent
The parent company's operating income for 2021 totalled SEK 1,278 million (1,289) and relates primarily to internal services within the Group. Profit after net financial items was SEK 79 million (302). This change is mainly attributable to a dividend issued by a subsidiary. Cash and cash equivalents amounted to SEK 1,155 million (889). Gross investments in intangible non-current assets and property, plant and equipment totalled SEK 85 million (98). The tax rate for the period was affected by the lowered corporation tax rate and non-taxable income in the form of dividends from subsidiaries.

Sustainability
In accordance with Chapter 6, Section 11 of the Swedish Annual Accounts Act, AFRY has elected to prepare the statutory sustainability report separately. The scope of the sustainability report, which also refers to AFRY's sustainability accounting, is given on page 118. AFRY has no licensable operations.

Employees
The average number of FTEs was 15,647 (15,271). The total number of employees at the end of the period was 17,019 (15,871). For more information on employees, see Note 6.

Significant events during the financial year
Henrik Tegnér was appointed as Head of Strategy and Sustainability and is part of Group Executive Management as of 1 January 2022.

Effective as of 1 January 2022, AFRY X became a new division with approximately SEK 1 billion in net sales. Per Kristian Egseth has been head of AFRY X since May 2021 and part of Group Executive Management as of 1 January 2022.

The Finnish Competition and Consumer Authority has approved AFRY's acquisition of all shares in Vahanen Group.

Significant events after the end of the financial year
The spring has been marked by the war in Ukraine and the very worrying development in Europe. AFRY's immediate focus has been to care for our colleagues in the region by ensuring the safety of our employees during these difficult times. AFRY has decided not to take on new projects in Russia and initiate the process to exit the business in the country. The business in Russia corresponds to less than 1 percent of AFRY's total net sales in 2021.

The following companies were acquired after the end of the financial year: Swedish Electrical and Power Control AB, Sweden, with annual net sales of around SEK 28 million and 16 employees. Vahanen International Oy, Finland, with annual net sales of around SEK 470 million and 500 employees.

AFRY shares

The AFRY shares are listed on Nasdaq Stockholm. The share price at the end of the reporting period was SEK 255.00 (251.20). Class A shares carry 10 votes per share and Class B shares carry 1 vote per share. The number of shares at 31 December was 113,212,471. There are no restrictions on the transferability of shares due to statutory provisions, articles of association or, as far as the company is aware, in shareholder agreements.

Guidelines for remuneration of senior executives

The Board of Directors' proposal for the remuneration guidelines include the President and CEO and other members of the Group Executive Management who reports to the President and CEO ("senior executives"). The guidelines shall apply to contracted remuneration and changes made to previously contracted remuneration after the guidelines are adopted by the 2022 AGM. The guidelines do not cover remuneration decided on by the AGM. The proposed guidelines are mainly in accordance with the guidelines adopted by the 2021 AGM, see www.afry.com.

A prerequisite for a successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the company can recruit and retain qualified personnel. To this end, it is necessary that the company offers competitive remuneration.

These guidelines enable to offer the senior executives a competitive total remuneration. The remuneration shall be on market terms and may consist of the following components: fixed cash salary, variable cash remuneration (STI and LTIP included), pension benefits and other customary benefits. Said components, their purposes and the components connection to the company's business strategy is described below

Decision-making processes for establishing, reviewing and implementing the guidelines

The Board of Directors has established a Remuneration Committee. The Committee's tasks include preparing the Board of Directors' decision on proposed guidelines for remuneration to senior executives. The Board of Directors shall prepare and propose new guidelines at least every four years and submit the proposal for resolution at the AGM. The guidelines shall apply until new guidelines are adopted by the AGM. The Remuneration Committee shall also follow and evaluate programmes for variable remuneration of Group Executive Management, the application of guidelines for remuneration of senior executives, and applicable remuneration structures and remuneration levels in the company. Additionally, the General Meeting may, notwithstanding what is stated in these guidelines, resolve on, among other things, long term share incentive plans.

To avoid conflicts of interest, the Remuneration Committee consists only of members of the Board of Directors who are independent of the company and its management. The President and CEO and other senior executives shall not attend when the terms and conditions for their remuneration are being discussed.

Fixed cash salary

The fixed cash salary is set according to the senior executive's competence, area of responsibility and according to local market practice. The fixed salary is reviewed annually, depending on, inter alia, the market, performance and how well the senior executive has acted in accordance with the company's values.

Variable cash remuneration

Annual short-term incentive programmes (STIP)

The size of annual short-term cash incentive programmes can vary from 0 percent to 60 percent of annual fixed cash salary.

Target criteria, weighting and target levels are set annually by the Board of Directors to ensure that the programme supports the business strategy. The target criteria, weighting and target levels may vary from year to year to reflect business priorities and usually balance the Group's financial targets and non-financial targets. Details of the target criteria, weighting and target levels as well as how the programme support the business strategy are presented in the annual remuneration report. After the end of the year, the Board of Directors reviews the results and determines to what extent each of the targets has been achieved to determine the final outcome. Regarding the financial targets, the assessment shall be based on the latest financial information published by the company.

The Board of Directors may adjust the STI outcome in special circumstances to adjust the remuneration in accordance with the value created for the shareholders and to ensure that the outcome reflects the company's results fairly.

Additional variable cash remuneration may be paid in exceptional circumstances, provided that such extraordinary arrangements are made only at the individual level either for the purpose of recruiting or retaining executives, or as remuneration for extraordinary performance over and above the person's ordinary duties. Such remuneration may not exceed an amount equal to 50 percent of the executive's fixed annual cash salary. Decisions on such remuneration shall be made by the Board of Directors as proposed by the Remuneration Committee.

Long-term cash-based incentive programmes (LTIP)

The Board of Directors considers it important to offer long-term incentive programmes to attract and retain key personnel and to give them the opportunity to take part of the company's success in the same way as the shareholders. In this way, the long-term incentive programmes contribute to the company's long-term value creation and results. Decisions on share-related and share-price-related programmes are made by the AGM either through separate decisions or by indicating the essential conditions of the programme in the remuneration guidelines.

The long-term incentive programmes that can be offered are share-related or share-price-related programmes and/or long-term cash-based programmes; all are three-year programmes. For all cash-based programmes there is a cap of maximum 80 percent of the annual fixed cash salary for thePresident and CEO, and 70 percent of the annual fixed cash salary for the other senior executives.

Target criteria, weighting and target levels are determined annually by the Board of Directors to ensure that they support the business strategy and can vary from year to year to reflect business priorities (at present, average EBITA margin and average growth). Details of each programme and how they support the business strategy are presented in the annual remuneration report. After the end of the programme, the Board of Directors reviews the results and determines to what extent each of the goals has been achieved to determine the final level of payment. For more information regarding the long-term incentive plans that are ongoing, or that has ended during the current year, please see AFRY's remuneration report available at the website, see [insert link].

Further, there is a long-term cash-based incentive programme for the President and CEO since 2021. According to the terms and conditions of the programme, the President and CEO is entitled to receive a cash payment based on the share price development, subject to that the President and CEO is still employed by the company on 31 March 2024. The share price development shall be above 0 percent at a minimum and 30 percent at a maximum and is measured during the period 1 April 2021 – 31 March 2024. Payment will be made on a linear basis if the share price increases between the minimum and maximum level. If the minimum is not reached, no payment will be made and if the maximum is reached, the President and CEO will receive SEK 7.5 million (gross before tax) corresponding to a total cost to the company of SEK 9,856,500 (including social securities contribution).

Pension and other benefits

The pension benefits provided reflect relevant market practice and may be adjusted from year to year. Senior executives are covered by pension benefits that reflect market practice in each country of employment, but defined contribution pension plans are preferred. No pension benefits shall be dependent on future employment and may amount to a maximum of 40 percent of the executive's fixed annual cash salary.

Other benefits are provided in accordance with reasonable levels in the country where the individual is employed. The benefits can be adjusted from year to year. Other benefits may include company car, health insurance, private accident and life insurance, as well as business travel insurance and liability insurance. Such benefits may amount to a maximum of 20 percent of the executive's fixed annual cash salary. Regarding employment conditions that are governed by rules other than Swedish, in so far as pension benefits and other benefits are concerned, appropriate adjustments may be made to comply with such compulsory rules or standard local practice, whereby the general purpose of these guidelines should be met as far as possible. Additional benefits and remuneration may be offered in certain circumstances, such as relocation in accordance with the company's policy for "international transfers". The President and CEO is entitled to participate in programmes that can be offered to other employees at any given time, such as anniversary gifts etc. Further information on the benefits provided during a given year is available in the annual remuneration report.

Termination of employment
The notice period for the President and CEO is 12 months when notice is given by the company and 6 months if notice is given by the President and CEO. If the company terminates the President and CEO, the CEO shall be offered severance pay corresponding to up to 12 months' salary. For other senior executives, the notice period is never longer than for the President and CEO. Regarding employment conditions that are governed by rules other than Swedish, appropriate adjustments may be made to comply with such rules or standard local practice, whereby the general purpose of these guidelines should be met as far as possible. The Board of Directors is entitled to decide whether payment should be tied to ongoing incentive programmes for individuals who depart the company and how payment should be handled in the event of leave. Any assessments will be presented in the annual remuneration report.

Salary and terms of employment for employees
In preparing the Board of Directors' proposal for these remuneration guidelines, salaries and terms of employment for the company's employees have been considered by the Remuneration Committee using information on employees' total remuneration, the components of the remuneration as well as the rate of increase and increase over time of remuneration and have been part of the Remuneration Committee's and the Board of Directors' supporting information for evaluating the reasonableness of the guidelines and their limitations. The development of the distance between remuneration of senior executives and remuneration of other employees will be presented in the remuneration report.

Right to recover remuneration and waive the guidelines
The Board of Directors is entitled to withhold or reclaim payments within the framework of short- and long-term incentive programmes due to exceptional circumstances or if false information is given regarding the financial results. That type of decision is explained (how the circumstances are defined and how actions are taken) in the annual remuneration report.

The Board of Directors may decide to temporarily deviate from the guidelines, in whole or in part, if there are special reasons for this in an individual case and a departure is necessary to meet the company's long-term interests, including its sustainability, or to ensure the company's financial viability. As stated above, it is part of the Remuneration Committee's tasks to prepare the Board of Directors' decision on remuneration issues, which includes decisions on deviations from the guidelines.

Corporate governance
AFRY prepares its Corporate Governance report as a separate document from the statutory Annual Report. Please see page 43–48.

Expectations for 2022
Uncertainties associated with macroeconomic factors that may affect AFRY, as well as the effects of the ongoing pandemic and the war in Ukraine continue to linger. AFRY sees continued strong demand for sustainable and digital solutions, where the company has a market-leading position and a diversified exposure to several industries and markets.

Proposed appropriation of profits
Non-restricted profits of SEK 9,062,995,694 are at the disposal of the AGM. The Board of Directors proposes that these profits be appropriated as follows:

A dividend of	
SEK 5.50 per share paid to the shareholders	622,668,591
To be carried forward	8,440,327,103
Total	**9,062,995,694**

Infrastructure Division

Key ratios

	2021	2020
Net sales, SEK million	7,714	7,650
Share of net sales, %	38	40
EBITA, SEK million	568	652
EBITA margin, %	7.4	8.5
Average number of full-time employees (FTEs)	5,914	5,915

Net sales
Net sales for 2021 amounted to SEK 7,714 million (7,650), an increase of 0.8 percent. When adjusted for currency effects and acquisitions, organic growth amounted to 0.4 percent. Adjusted for calendar effects, organic growth amounted to 0.0 percent. Net sales were impacted negatively primarily by the real estate segment, where projects were delayed due to uncertainty about the Covid-19 pandemic. Higher public expenditures in the Nordics and Central Europe had a positive impact on net sales. The order backlog is at a stable level.

EBITA and EBITA margin
EBITA amounted to SEK 568 million (652), which corresponds to a margin of 7.4 percent (8.5). Lower capacity utilisation had a negative effect on the margin. Performance was weak, primarily in the real estate segment.

Market development
The market for infrastructure services is mixed. The pandemic continues to cause uncertainty in real estate, while there is stable, long-term, underlying demand for transport infrastructure services. Competition continues to be tough in all segments. For transport infrastructure, economic recovery plans and increased public investments, especially in public transportation and railways, means the long-term outlook is good. The real estate market reflects the pandemic's effect on society, with investments in industrial and logistics facilities, datacentres and hospitals increasing while segments like offices, retail spaces and hotels are more challenging. The course of the pandemic, rising construction costs and inflation make forecasts uncertain. Demand for sustainability advisory services is on the rise, driven by new regulations and a global focus.

Infrastructure Division, percentage of total net sales

37%

Industrial & Digital Solutions Division

Key ratios

	2021	2020
Net sales, SEK million	5,781	5,074
Share of net sales, %	29	27
EBITA, SEK million	490	325
EBITA margin, %	8.5	6.4
Average number of full-time employees (FTEs)	3,533	3,576

The historical figures above have been adjusted to account for organisational changes.

Net sales

Net sales for 2021 amounted to SEK 5,781 million (5,074), an increase of 13.9 percent. When adjusted for currency effects and acquisitions, organic growth amounted to 11.9 percent. Adjusted for calendar effects, organic growth amounted to 11.5 percent. Growth was driven by strong demand in all segments. The level of activity continues to be high in all core markets.

EBITA and EBITA margin

EBITA amounted to SEK 490 million (325), which corresponds to a margin of 8.5 percent (6.4). Higher volume, good cost control and an improved business mix all had a positive effect on the margin.

Market development

Recovery within the automotive industry continues. The largest clients have quickly expanded both their ambition and the pace of product development and production investments, which are driven to a large extent by electrification and the need for software development. Activity among clients in the manufacturing industry was high for smaller projects, while there remains a certain wariness towards larger projects. Demand in Food & Life Science continues to be strong.

Industrial & Digital Solutions Division, percentage of total net sales

27%

Process Industries Division

Key ratios

	2021	2020
Net sales, SEK million	3,817	3,441
Share of net sales, %	19	18
EBITA, SEK million	470	363
EBITA margin, %	12.3	10.6
Average number of full-time employees (FTEs)	3,592	3,243

The historical figures above have been adjusted to account for organisational changes.

Net sales

Net sales for 2021 amounted to SEK 3,817 million (3,441), an increase of 10.9 percent. When adjusted for currency effects and acquisitions, organic growth amounted to 11.2 percent. Adjusted for calendar effects, organic growth amounted to 10.9 percent. Growth was driven mostly by continued favourable developments in Sweden, Russia and Asia, along with stable growth in Finland, Latin America and Central Europe. The order backlog is at a high level.

EBITA and EBITA margin

EBITA amounted to SEK 470 million (363), which corresponds to a margin of 12.3 percent (10.6). The margin was affected positively by strong growth in all business segments and continued focus on streamlining and cost savings but was affected negatively by currency effects.

Market development

The market continues to be stable, particularly for operational service and smaller projects. The most important drivers for many projects continue to be the bio transition, sustainability and digitalisation. New growth sectors and advanced technology like the battery sector and power-to-X are expanding rapidly. The bio transition and solutions for the circular economy, such as plastic and textile recycling and new advanced technology are also fast growing areas. The ongoing supply chain disruptions for building materials and components are slowing down investment plans, especially for larger CAPEX projects.

Process Industries Division, percentage of total net sales

18%

Energy Division

Key ratios

	2021	2020
Net sales, SEK million	2,683	2,796
Share of net sales, %	13	15
EBITA, SEK million	301	257
EBITA margin, %	11.2	9.2
Average number of full-time employees (FTEs)	1,683	1,767

The historical figures above have been adjusted to account for organisational changes.

Net sales
Net sales for 2021 amounted to SEK 2,683 million (2,796), a decrease of -4.1 percent. When adjusted for currency effects and acquisitions, negative organic growth amounted to -1.4 percent. Adjusted for calendar effects, the negative organic growth amounted to -2.0 percent. Delays caused by the pandemic had a negative effect on growth. The order backlog is at a stable level.

EBITA and EBITA margin
EBITA amounted to SEK 301 million (257), which corresponds to a margin of 11.2 percent (9.2). The improved margin is due to cost savings and strong growth mainly in thermal energy, renewable energy, hydropower and contracting, along with well-run larger projects.

Market development
The pandemic continued to affect the market with delayed decision-making processes for new projects, mainly in hydropower, thermal energy and renewable energy along with contracting projects. Travel restrictions continued to impact projects, especially in the water sector, which inhibited specialised assignment-based projects. The general outlook for the energy sector has improved in most areas, but the ongoing pandemic will continue to impact the division in the short to medium term since recovery in Asia and Latin America is expected to take longer. Disruptions in the supply chain and increased inflationary pressure are also expected to impact clients' decision-making in the short term. The division has a clear focus on growth.

Energy Division, percentage of total net sales

13%

Management Consulting Division

Key ratios

	2021	2020
Net sales, SEK million	990	813
Share of net sales, %	5	4
EBITA, SEK million	161	104
EBITA margin, %	16.2	12.8
Average number of full-time employees (FTEs)	491	419

Net sales
Net sales for 2021 amounted to SEK 990 million (813), an increase of 21.8 percent. When adjusted for currency effects and acquisitions, organic growth amounted to 19.5 percent. Adjusted for calendar effects, organic growth amounted to 19.8 percent. Growth was driven by increased levels of activity in the energy and bio industries throughout the portfolio and by the strong contributions of newly acquired businesses.

EBITA and EBITA margin
EBITA amounted to SEK 161 million (104), which corresponds to a margin of 16.2 percent (12.8). Higher volumes and cost savings from less travel had a positive effect on the margin.

Market development
All in all, there is stable demand in both the energy and bio industries. Clients are adapting their strategies to industry transitions and are looking for new opportunities to invest. This results in growing demand for consulting services, especially in the areas of market analysis and transactions as well as in the operative and digital transition, where AFRY is upping its capacity in selected markets.

Management Consulting Division, percentage of total net sales

5%

Risks and risk management

Risk management
AFRY continually identifies, assesses, and monitors business risks based on its objectives, vision, targets, and strategy. Risk management includes company-wide risk analyses that are conducted regularly by Group functions combined with risk analyses in key processes such as financial controls, and project-specific risk analyses linked to projects carried out in the divisions in connection with tender procedures.

Regular reviews and analyses of risks are prepared based on data and information from Group operations and risk assessments which have been carried out by the business areas. The results of the risk analyses are collected in a risk register and presented in a comprehensive risk heatmap that reflects the company's risk exposure. The aim of this work is to identify the key risks to which the company is exposed, the probability of the risks arising and their impact on the company's goals. Concurrently, the effectiveness of existing controls and measures to reduce risks is assessed and new controls and measures are considered.

Group management is responsible for oversight of the management of significant risks in operating activities. A special GRECS (Governance, Risk, Ethics, Compliance and Sustainability) Committee, which consists of members of Group Executive Management such as the President and CEO, CFO, General Counsel, Head of Communication, Head of HR, Head of Strategy and Sustainability, as well as other key people such as Chief Compliance and Ethics Officer and Head of Security, meets regularly and follows up the rolling out and implementation of relevant programmes, preventive measures and control activities.

The Audit Committee receives regular updates on the GRC (Governance, Risk and Compliance) work and material disputes from General Counsel, while the Board of Directors annually evaluates the GRC work, risk management and internal control over the financial reporting.

Financial aspects of risk management
Responsibility for the Group's financial transactions and risks is held centrally by the parent's Treasury Department, which identifies, evaluates, and hedges financial risks in close cooperation with the Group's operating units. Through its operations, the Group is exposed to financial risks including exchange rate risk, interest rate risk, credit risk, financing risk and liquidity risk. These are described in Note 13, Financial assets, and liabilities. Management of risks linked to financial reporting is handled by AFRY's central Finance Department, with support from the divisions' financial functions through harmonised control processes. This is described on page 47, Control environment. AFRY also has a central tax function that supports operations by interpreting current tax legislation, tax treaties and other fiscal regulations as well as perception and interpretation of the requirements of various tax authorities and their effects on transactions between Group companies. The Group has companies that are subject to taxation in several jurisdictions. Hence, AFRY is consequently liable to taxation in Sweden as well as other jurisdictions.

Sustainability aspects of risk management
Sustainability is an integral part of AFRY's mission, vision, and strategy, and thus an integral part of our risk management.

Efforts are ongoing continuously to better manage the risks and opportunities that a greater international presence and growing requirements from customers and other stakeholders entail. Several of the initiatives presented in the 2020 Annual and Sustainability Report have continued in 2021, including the rollout of global system support, application of the Code of Conduct assessment process in tender procedures, crisis and incident management, country risk database, information security and data protection. In 2021, the company added key resources to the GRECS functions, including a data privacy manager, a chief information security officer, two head of security for the Nordics and APAC region respectively, and a climate reporting manager.

AFRY has initiated the work with on implementing the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in existing risk and strategy processes as well as climate reporting, see TCFD index on page 135. Climate-related risks include risks associated with the transition to a low-carbon economy and physical risks concerning the acute and chronic effects of a changing climate. For more information on AFRY's work with sustainability, see the sustainability notes on page 118.

Risk factors
This section describes the areas of risk that are considered the most significant to identifying risks in AFRY's operations, profitability, and future development (operational risks). Several risk areas were identified by the businesses and specific action plans for managing the risks were developed in each division, or at Group level depending on how probable the risk is and the effect it would have on the specific part of the business.

Type of risk	Risks	Risk management
Market conditions	AFRY's growth and success depends on AFRY having the right strategy to meet demand and quickly react to changes in market conditions in the sectors and markets in which AFRY operates. Political decisions and priorities, countries' economic conditions, propensity to invest in infrastructure and industry, the demand for sustainable solutions, and technological and digital development drive demand for AFRY's services. In 2021, the pandemic has posed a significant risk to large parts of the business through delayed or cancelled projects.	The Group responds to risks linked to the economy, structure, and market trends by diversifying and operating in several markets and in areas that have different economic cycles and are affected in different ways by structural changes and changing market trends. The Group's strategy is based on high capacity for change and mobility internally, so resources are utilized where they are needed most.
Competition	The market for consulting services is characterised by competition for the most attractive assignments with price pressure and low entry barriers for smaller assignments. Rapid technological and digital development along with highly innovative sustainable solutions mean that AFRY is faced with competition from new players, in the form of consolidation of smaller companies or due to qualified employees leaving larger companies to start competing businesses.	The company conducts recurring assessments of the current competitive situation in each local market and at relevant levels in the business. The Group invests in developing expertise to meet new types of solutions that are in demand by AFRY's customers. For example, AFRY sees great opportunities in sustainability and digitalisation that create a demand for new business and new types of business models, contracts, and product solutions.
IT infrastructure and cyber environment	Like society in general, AFRY is on a journey of change towards increased digitalisation and needs to manage risks that accompany the digital information age. Operations depend on access to well-adapted digital systems and an effective IT environment and infrastructure. In addition, the Company must be able to manage cyber security threats, business continuity and information security risks. Delays in rollouts of key systems, unplanned disruptions, shortcomings in cyber security, data breaches and loss of data are significant risks that need to be managed.	Relevant IT resources are secured by combining internal resources with well-balanced outsourcing agreements. Routines and agreements regulate development, management, back-up, non-conformance management and support. The company has established an information security program that includes training and information security guidelines that regulate how employees and sub-consultants should act to always maintain the highest possible level of security towards all stakeholders. Data protection and integrity are supported by protecting the Group's information system, ensuring that the handling of personal data meets the rules, requirements and expectations set and continuous high awareness among employees. The Group holds a cyber insurance coverage.
Claims and disputes	In AFRY's business operations, there is a risk that disputes may arise, for example in client assignments and in connection with acquisitions. It is not possible to predict the risk of, or possible outcomes of proceedings, disputes, and cases. AFRY may incur costs in these cases, and there is a risk that the measures (such as provisions and insurance coverage), will not be appropriate or sufficient.	The Group strives to prevent and handle disputes that arise in connection with its operations and within the framework of customer assignments. The legal department assists the business with legal advice, assists in the preparation of processes and governing documents, and is involved in the follow-up of the business' compliance with these. External advisers are brought in when needed. Authorisation rules are defined and mean that certain tenders and contracts are always reviewed by a lawyer. There are also established Group-wide contract principles and an escalation process. Any assessed risk of loss will be reserved. The Group also has extensive insurance coverage in the form of general liability insurance, product liability insurance, and consultant liability insurance.
Optimising utilisation rates and levels	AFRY's profitability depends on AFRY's ability to utilize its employees and maintain an optimal workload structure, and thereby high billing rate, where employees' expertise and availability are used in an optimal manner that also satisfies employees' well-being.	The Group has implemented tools and processes to continuously monitor and follow up on the billing rate, as well as effective systems for sales support and competence management. Regular follow-up and analysis is done to capture trends and relocate employees from projects that have been delayed, interrupted, or cancelled to new or other ongoing assignments, to manage downtime in the business and to match the skills and experience of AFRY's employees with different assignments based on customer needs and expectations.
Attracting and retaining relevant competence	The Group's employees are its most important asset and personnel costs are AFRY's largest cost item. Compensation levels and competence structures must be well-balanced and AFRY must be an attractive employer with a good work environment. It would have negative impact if AFRY were not able to attract, recruit, develop, motivate, and retain qualified employees as well as acquire and integrate companies with key competencies. The industry in which AFRY operates is characterised by high levels of employee turnover and it is common for employees to frequently change employers to go over to competitors or customers or to start their own business.	Competence in sustainability and digitalisation have become decisive factors for several of the segments in which AFRY operates and AFRY aim to be at the forefront in these areas. The Group has a solid organization for outreach recruitment and conducts active work to strengthen the employer brand in order to attract new employees. Great focus is placed on recruitment processes and succession planning. In order to retain and engage recruited employees, the Group invests in introductory activities, a good and safe work environment and personal development, for example through motivational assignments, further training, skills development, and leadership development. Development discussions with each employee take place annually where individual development plans are drawn up. Employee surveys are conducted to examine the extent to which employees are satisfied with their work situation.

Type of risk	Risks	Risk management
Customer satisfaction	Customer satisfaction is an important factor for AFRY's success. There is a risk that conditions, time-plans, quantitative or qualitative requirements in tender processes and procurements are misunderstood or that contracts are entered into with customers that expose AFRY to unforeseen liability risks. Missed expectations during the course of a project (alleged or actual), such as inadequate project management, erroneous resource and cost estimates for the assignment's implementation and errors or deficiencies in execution of a specific assignment, could lead to additional costs, delay completion of the assignment or be subject to claims and other demands that could have a negative effect on AFRY's client relationships.	The Group has implemented global sales and delivery processes that support the operational activities in meeting and ensuring fulfillment of customer requirements and expectations. These processes are tailored to different technical areas. The management system for internal control, management, follow-up, and audits of the operational activities, which includes management of suppliers and sub-consultants, ensures continuous risk management, follow-up, and improvement. Customer satisfaction is one of the Group's sustainability targets and is followed up regularly by the Group Executive Management.
Responsible business conduct	AFRY's operations in the global energy, industry and infrastructure markets, its geographical spread, and its strong position in the public sector expose AFRY to risks related to sustainability factors such as human rights, working conditions, corruption and the environment. The risks of corruption are considered high in certain developing markets. The risk of human rights violations is particularly acute in certain customer assignments. There is also risk of negative environmental impact within the framework of our client assignments, which is dependent on assignment type. There is also a risk that the Group does not comply with sustainability committments and targets, including climate. See Note 31, Critical estimates and judgements, on page 111.	The Group conducts an active dialogue with stakeholders to understand and meet stakeholders' expectations. The Group's governing documents for quality, environment and work environment, sustainability, ethics and compliance as well as the Code of Conduct and supplier code (Business Partner Criteria) lay the foundation for the business to work actively with social, environmental, and climate-related risks in strategy work, business planning, customer assignments and in business operations. Climate change and its effects are considered in the Group's strategy work, where sustainability is one of the pillars. High-risk suppliers are examined, and the Code of Conduct Assessment process ensures that risks linked to corruption, human rights, working conditions and environmental and climate risks within the framework of the Group's customer assignments are identified in the tender phase. The process includes the precautionary principle. The parts of the business that carry out customer assignments that are particularly exposed to environmental risks have established further routines for minimizing the environmental impact. The Group has established sustainability targets that are based on responsible business and are followed up regularly by management. Read more in Note S5 the sustainability notes on pages 120 and follow-up of the sustainability targets on page 121. Read more about how the Group's work with own climate impact in Note S13 in the sustainability notes on page 125.
Compliance	Inappropriate or fraudulent actions or violations of, or noncompliance with applicable laws and regulations could adversely AFRY's operations and reputation. Such conduct could, for example, include improper or fraudulent actions or violations of, or non-compliance with, applicable laws and regulations or rules covering AFRY's activities, such as public procurement, competition laws, data protection regulations, sanctions legislation, rules on the safeguarding classified information, rules on the prevention of conflicts of interest, regulations that affect the pricing of labour and other costs in government contracts, regulations on lobbying, regulations on internal control of financial reporting, environmental laws and other applicable laws and regulations. AFRY's ability to obtain certain assignments is also affected by its ability to obtain specific certifications in the markets in which AFRY operates.	The Group works to implement scalable processes and controls to prevent risks of non-compliance globally. Control documents, routines and training have been developed to ensure that the Group complies with applicable laws and regulations and to ensure that legal risks in the Group's business operations are identified and decisions are made at the appropriate level in the organization. The in-house legal department, which includes the Compliance function, supports the operational activities of identifying and managing these legal risks. The compliance function is responsible for implementing relevant programs and measures to prevent risks such as corruption, human rights violations and other behavioral risks that are essential to AFRY's operations. A whistle-blower system is available where all employees can report anonymously both against violations of laws and violations of the Group's rules and regulations without risk of retaliation.
International business	AFRY operates in over 40 countries and has projects in more than 100 countries, which exposes AFRY to risks related to, among other things, political instability, regional and/or cross-border conflicts, changing diplomatic relationships, terrorism, crime, protectionism, natural disasters, climate change, epidemics, and health-related risks. Conducting business internationally, especially in emerging markets, also exposes AFRY to other operational risks like unexpected changes to regulations, inconsistent application of existing laws and regulations, unclear regulatory and taxation systems, difficulties in obtaining payments for accounts receivable, along with different cultures, methods, and procedures for business activi-ties. International business also means more demands on management to implement a common corporate culture based on AFRY's core values of ethical business dealings and sustainability.	In 2021, AFRY's net sales in the Nordic region corresponded to about 75 percent, while the corresponding share for the rest of the EU was about 17 percent, for Asia about 3 percent and other parts of the world about 4 percent. The Group closely monitors developments in key markets to identify and eliminate risks that may arise due to the geopolitical situation. Together with external advisers, internal lawyers, and regulatory compliance and security functions, the political situation is monitored, and strategies are in place to prepare for and manage possible scenarios. Through groupwide introductory activities and systematic work with AFRY's core values of ethical entrepreneurship and sustainability at all levels of leadership, the common corporate culture is strengthened.
Acquisitions	Acquisitions are a key part of the Group's growth strategy. The risks with acquisitions include that AFRY cannot carry out its acquisition strategy, acquisitions are based on incomplete or erroneous facts, risks associated with local market conditions, the business model, profitability, or compliance with regulations is not detected during due diligence, risks that key personnel leave, that integration of the acquired company is unsuccessful or that the expected result is not attained.	The Group has a well-developed acquisition and integration process where decisions on new acquisitions are made by the Board or management according to a specific decision-making process with fixed decision points. Acquisition decisions are made by Group management and the Board. An annual evaluation of completed acquisitions over a certain size is made by the Group's Board. During the year, greater focus was placed on the integration and implementation of AFRY's values of responsible entrepreneurship, sustainability and compliance with regulations, and associated review processes in connection with acquisitions.

Type of risk	Risks	Risk management
Supply chain	The Group's continued growth leads to an increased need for subcontractors, both in terms of providing competent engineers and complete project organisations. AFRY depends on being able to optimise its network of subconsultants, subcontractors and other business partners so it can deliver in projects and procurement of assignments. There is a risk that AFRY does not adequately assess and mitigate the risk that subcontractors do not maintain the level of sustainability, business ethics and conduct that AFRY requires in accordance with its supplier code, Business Partner Criteria, or that they do not deliver on time or according to the level, cost, or quality that AFRY expects.	AFRY takes an active partner responsibility, which positively affects the industries and contexts in which we operate. The management of partner responsibility takes place through the Group's Business Partner Criteria, which is based on the UN Global Compact's ten principles. This must be attached to all agreements with suppliers and partners and ensures that the Group's requirements for business ethics, health and safety, environmental responsibility, human rights, and information security are clear to all our partners. High-risk third partners are reviewed on an ongoing basis and risks linked to partners, subcontractors and subcontractors in assignments are identified within the framework of the Code of Conduct Assessment process. The Group's insurances also cover the work of subcontractors.
Pricing and financial risk exposure in projects	AFRY's earning capability depends on AFRY being able to estimate well-balanced and optimised hourly rates and project prices. Profitability depends on well-adapted systems that support AFRY's business model and efficient project management where costs are reliably estimated and controlled and where projects and consulting assignments are implemented efficiently with good quality assurance. A large part of AFRY's turnover is generated from projects that are contracted with a fixed price component that places high demands on a correct estimate of the profit margin in the tender procedure and that estimates during the course of the project do not lead to reduced margins or that the project is run at a loss.	The systems for sales support and competence management as well as internal training provide well-functioning support for creating competent and competitive project organizations. Within the framework of the Group's sales and delivery process and Group-wide certification scheme, there are implemented routines for, for example, calculation, review, tender and contract reviews, risk analysis, identification of the project's most important sustainability aspects, project planning, verification, and validation of delivery. Steering groups are appointed to monitor progress in the project, results, invoicing and cash management as well as risks. The Group conducts internal audits annually to ensure that the process and routines are complied with and function as intended.
Financing and capital	The Group's financing risk consists of the risk that the company will not be able to raise new loans, or refinance existing ones on acceptable terms. Through its international operations, the Group is affected by interest rate changes and currency fluctuations, and the Group's commercial and financial transactions give rise to credit risks towards the Group's counterparties if the counterparty does not fulfil its obligations.	Responsibility for the Group's financial transactions and risks is held centrally by the Parent Company's finance department, which works on the basis of the Board's established guidelines. According to current guidelines, the Group may raise loans at both fixed and variable interest rates. Transaction exposure is relatively limited in the Group in comparison with sales, as sales and costs are mostly in local currency. See also Note 13 Financial assets and liabilities.

Financial statements and notes

Financial statements

Notes

Consolidated income statement

1 January – 31 December (SEK million)	Note	2021	2020
Net sales	2	20,104	18,991
Purchases of services and materials		-3,918	-3,811
Other external costs	5, 16, 24	-1,622	-1,326
Staff costs	6	-12,266	-11,860
Other operating income	4	58	198
Other operating expenses	7	-1	-24
Profit attributable to participations in associates	17	5	5
EBITDA		**2,359**	**2,172**
Depreciation/amortisation and impairment of non-current assets[1]	14, 15, 16	-698	-663
EBITA		**1,662**	**1,509**
Acquisition-related items[2]	8	-139	-128
Operating profit (EBIT)	2, 9	**1,523**	**1,382**
Profit/loss from financial items			
Financial income	10	242	295
Financial expenses	10, 16	-371	-480
Net financial items		**-129**	**-185**
Profit after financial items		**1,393**	**1,196**
Tax	22	-264	-264
Profit for the period		**1,130**	**932**
Attributable to:			
Shareholders in the parent company		1,129	933
Non-controlling interest		0	0
		1,130	**932**
Attributable to the parent's shareholders	12		
Basic earnings per share (SEK)		9.97	8.29
Diluted earnings per share (SEK)[3]		9.97	8.29

1) Depreciation/amortisation and impairment of non-current assets refers to property, plant and equipment and intangible assets excluding intangible assets related to acquisition.
2) Acquisition-related items are defined as depreciation/amortisation and impairment of acquisition-related intangible assets including goodwill, revaluation of contingent considerations and gains/losses on divestment of companies and operations.
3) Issued convertibles did not result in dilution during the year.

Statement of consolidated comprehensive income

1 January – 31 December (SEK million)	2021	2020
Profit for the period	**1,130**	**932**
Items which will be classified to profit or loss		
Translation differences for foreign operations for the period	357	-501
Changes in hedge reserve	-10	72
Tax	0	-6
Items which will not be classified to profit or loss		
Revaluation of defined-benefit pension plans	130	32
Tax	-24	-10
Other comprehensive income	**452**	**-413**
Comprehensive income for the period	**1,582**	**519**
Attributable to:		
Shareholders in the parent company	1,581	520
Non-controlling interest	0	0
	1,582	**519**

Consolidated balance sheet

As at 31 December (SEK million)	Note	2021	2020
Non-current assets			
Intangible assets	2, 14	14,045	12,764
Property, plant and equipment	2, 15	495	539
Right-of-use assets	2, 16	1,967	2,266
Participations in associates	17	24	21
Financial investments	13	52	57
Non-current receivables	13	99	67
Deferred tax assets	22	174	213
Total non-current assets		**16,857**	**15,928**
Current assets			
Accounts receivable	13	4,206	3,395
Revenue generated but not invoiced	13	1,927	1,493
Current tax assets	22	30	16
Other receivables		474	450
Prepaid expenses and accrued income	18	308	308
Cash and cash equivalents	29	2,112	1,930
Total current assets		**9,056**	**7,592**
Total assets		**25,913**	**23,520**

Balance sheet, cont.

As at 31 December (SEK million)	Note	2021	2020
EQUITY AND LIABILITIES			
Equity	19		
Share capital		283	282
Other contributed capital		4,942	4,971
Reserves		234	-113
Profits brought forward including net profit for the period		5,533	4,864
Equity attributable to shareholders in the parent		**10,992**	**10,005**
Non-controlling interest		1	1
Total equity		**10,993**	**10,005**
Liabilities			
Loans and credit facilities	13	4,423	3,491
Lease liabilities	16	1,738	1,870
Provisions for pensions	20	216	341
Other provisions	21	72	91
Deferred tax liabilities	22	389	461
Other liabilities	13	176	60
Total non-current liabilities		**7,014**	**6,314**
Loans and credit facilities	13	1,065	872
Lease liabilities	16	423	567
Other provisions	21	34	74
Work invoiced but not yet carried out		1,914	1,636
Accounts payable		1,097	842
Current tax liability	22	296	162
Accrued expenses and prepaid income	23	2,148	2,026
Other liabilities	13	928	1,019
Total current liabilities		**7,905**	**7,199**
Total liabilities		**14,919**	**13,513**
Total equity and liabilities		**25,913**	**23,520**

For information about the Group's pledged assets and contingent liabilities, see Note 25.

Net debt	2021	2020
Loans and credit facilities	5,471	4,344
Net pension liability	205	341
Cash and cash equivalents	-2,112	-1,930
	3,565	**2,756**

Statement of change in consolidated equity

	Equity attributable to shareholders in the parent						
SEK million	**Share capital**	**Other contributed capital**	**Reserves**	**Retained profit incl. profit for the period**	**Total**	**Non-controlling interest**	**Total equity**
Equity brought forward in accordance with the adopted balance sheet 1 Jan 2020	280	4,824	322	3,941	9,367	1	9,369
Effect of changed accounting policy				-31	-31		-31
Adjusted equity brought forward 1 Jan 2020	**280**	**4,824**	**322**	**3,909**	**9,336**	**1**	**9,337**
Profit for the period				933	933	0	932
Other comprehensive income			-435	22	-413	0	-413
Comprehensive income for the period	**—**	**—**	**-435**	**955**	**520**	**0**	**519**
Dividends					—	0	0
Conversion of convertible bonds into shares	2	156			158		158
Value of conversion option (2020 programme)		9			9		9
Tax on value of conversion option (2020 programme)		-2			-2		-2
Changed conversion rate (2017 programme)		-16			-16		-16
Equity carried forward 31 Dec 2020	**282**	**4,971**	**-113**	**4,864**	**10,005**	**1**	**10,005**
Equity brought forward 1 Jan 2021	282	4,971	-113	4,864	10,005	1	10,005
Profit for the period				1,129	1,129	0	1,130
Other comprehensive income			347	106	452	0	452
Comprehensive income for the period	**—**	**—**	**347**	**1,235**	**1,581**	**0**	**1,582**
Dividends				-566	-566	0	-566
Conversion of convertible bonds into shares	2	174			176		176
Share buy-backs, own shares		-205			-205		-205
Cancellation of shares	-2	2			—		—
Equity carried forward 31 Dec 2021	**283**	**4,942**	**234**	**5,533**	**10,992**	**1**	**10,993**

For supplementary information, see Note 19.

Statement of consolidated cash flows

1 January – 31 December (SEK million)	Note	2021	2020
Operating activities	29		
Profit after financial items		1,393	1,196
Adjustment for items not included in cash flow		874	453
of which IFRS 16 Leases		*566*	*520*
Income tax paid		-229	-163
Cash flow from operating activities before changes in working capital		**2,038**	**1,486**
Cash flow from changes in working capital			
Change in operating receivables		-980	445
Change in operating liabilities		440	73
Cash flow from operating activities		**1,498**	**2,004**
Investing activities			
Acquisition of property, plant and equipment		-87	-81
Disposal of property, plant and equipment		44	8
Acquisition of intangible assets		-27	—
Disposal of intangible assets		1	4
Acquisition of operations	3	-955	-41
Divestment of operations		0	-5
Contingent considerations paid and step acquisitions		-204	-108
Acquisition of financial receivables		0	-42
Disposal of financial receivables		15	—
Cash flow from investing activities		**-1,213**	**-264**
Financing activities			
Borrowings		2,139	849
Amortisation of loans		1,373	-1,836
Dividends paid		-566	—
Share buy-backs, own shares		-205	—
Payout, convertible programme		-7	0
Cash flow from financing activities		**-12**	**-987**
Cash flow for the period		**274**	**753**
Opening cash and cash equivalents		1,930	997
Exchange difference in cash and cash equivalents		-92	180
Closing cash and cash equivalents		**2,112**	**1,930**

Change in consolidated net debt

1 January – 31 December (SEK million)	2021	2020
Opening balance	5,193	7,203
Cash flow from operating activities	-1,498	-2,004
Net investments	69	68
Acquisition/divestment of operations and contingent considerations	1,159	154
Dividend	566	—
Share buy-backs, own shares	205	—
Other	34	-228
Closing balance	**5,726**	**5,193**

Parent company income statement

1 January – 31 December (SEK million)	Note	2021	2020
Operating income			
Net sales		919	986
Other operating income	4	360	303
		1,278	**1,289**
Operating expenses			
Other external costs	5, 24	-1,016	1,101
Staff costs	6	-232	-184
Depreciation/amortisation and impairment of tangible and intangible assets	14, 15	-36	-34
Other operating expenses	7	-317	-112
Operating profit/loss		**-323**	**-142**
Profit/loss from financial items			
Profit from participations in Group companies and associates	10	348	409
Interest income and similar profit/loss items	10	328	370
Interest expense and similar profit/loss items	10	-273	-334
		403	**444**
Profit/loss after financial items		**79**	**302**
Appropriations	11	519	-38
Profit/loss before tax		**598**	**264**
Tax	22	-19	26
Profit for the period		**579**	**290**

Parent statement of comprehensive income

1 January – 31 December (SEK million)	2021	2020
Profit for the period	**579**	**290**
Items which will be classified to profit or loss		
Changes in hedge reserve	20	-11
Tax	-4	3
Other comprehensive income	**15**	**-8**
Comprehensive income for the period	**595**	**281**

Parent balance sheet

As at 31 December (SEK million)	Note	2021	2020
Non-current assets			
Intangible assets	14	9	13
Property, plant and equipment	15	125	142
Financial assets			
Participations in Group companies	27	8,328	8,369
Receivables from Group companies	26	5,745	5,745
Non-current receivables		129	141
Total non-current assets		**14,336**	**14,410**
Current assets			
Current receivables			
Accounts receivable		4	1
Receivables from Group companies and associates	26	2,493	1,357
Other receivables		87	579
Prepaid expenses and accrued income	18	163	136
Total current receivables		**2,746**	**2,072**
Cash and bank balances	29	1,155	889
Total current assets		**3,902**	**2,961**
Total assets		**18,238**	**17,371**

Parent balance sheet, cont.

As at 31 December (SEK million)	Note	2021	2020
EQUITY AND LIABILITIES			
Equity	19		
Restricted equity			
Share capital		283	282
Statutory reserve		47	47
Non-restricted equity			
Share premium reserve		4,859	4,888
Fair value reserve		26	11
Profit brought forward		3,599	3,879
Profit for the period		579	290
Total equity		**9,393**	**9,397**
Untaxed reserves	28	**101**	**120**
Provisions			
Provisions for pensions and similar obligations	20	14	15
Deferred tax liability	22	2	4
Other provisions	21	20	47
Total provisions		**36**	**66**
Non-current liabilities			
Bond loan	13	2,500	2,500
Staff convertible	13	311	489
Liabilities to credit institutions	13	1,612	500
Other liabilities	13	—	—
Total non-current liabilities		**4,423**	**3,489**
Current liabilities			
Bond loan	13	1,000	—
Staff convertible	13	65	59
Liabilities to credit institutions	13	—	856
Accounts payable		173	151
Liabilities to Group companies	26	2,253	2,416
Current tax liability	22	3	11
Other liabilities	13	703	699
Accrued expenses and prepaid income	23	88	107
Total current liabilities		**4,285**	**4,299**
Total equity and liabilities		**18,238**	**17,371**

Statement of change in parent equity

	Restricted equity		Non-restricted equity				
SEK million	**Share capital**	**Statutory reserve**	**Share premium reserve**	**Fair value reserve**	**Profit brought forward**	**Profit for the period**	**Total equity**
Equity brought forward in accordance with the adopted balance sheet 1 Jan 2020	280	47	4,741	19	3,361	549	8,997
Effect of changed accounting policy					-31		-31
Adjusted equity brought forward 1 Jan 2020	**280**	**47**	**4,741**	**19**	**3,330**	**549**	**8,967**
Profit for the period						290	290
Other comprehensive income				-8			-8
Comprehensive income for the period	**—**	**—**	**—**	**-8**	**—**	**290**	**281**
Appropriation of profits					549	-549	—
Conversion of convertible bonds into shares	2		156				158
Value of conversion option (2020 programme)			9				9
Tax on value of conversion option (2020 programme)			-2				-2
Changed conversion rate (2017 programme)			-16				-16
Equity carried forward 31 Dec 2020	**282**	**47**	**4,888**	**11**	**3,879**	**290**	**9,397**
Equity brought forward 1 Jan 2021	282	47	4,888	11	3,879	290	9,397
Profit for the period						579	579
Other comprehensive income				15			15
Comprehensive income for the period	**—**	**—**	**—**	**15**	**—**	**579**	**595**
Appropriation of profits					290	-290	—
Dividend paid					-566		-566
Conversion of convertible bonds into shares	2		174				176
Share buy-backs, own shares			-205				-205
Cancellation of shares	-2		2				—
Equity carried forward 31 Dec 2021	**283**	**47**	**4,859**	**26**	**3,599**	**579**	**9,393**

For supplementary information, see Note 19.

Statement of cash flows for parent

1 January – 31 December (SEK million)	Note	2021	2020
Operating activities	29		
Profit/loss after financial items		79	302
Adjustment for items not included in cash flow		99	-416
Income tax paid		-10	-1
Cash flow from operating activities before changes in working capital		**168**	**-115**
Cash flow from changes in working capital			
Change in operating receivables		-172	1,335
Change in operating liabilities		-154	1,127
Cash flow from operating activities		**-158**	**2,347**
Investing activities			
Acquisition of property, plant and equipment		-14	-19
Disposal of property, plant and equipment		0	1
Acquisition of intangible assets		-2	-4
Acquisition of financial assets		-15	-1,042
Disposal of financial assets		4	—
Acquisition of subsidiaries		—	-46
Divestment of subsidiary		—	16
Shareholders' contribution paid		—	0
Contingent considerations paid		-28	-8
Cash flow from investing activities		**-55**	**-1,103**
Financing activities			
Borrowings		2,112	849
Amortisation of loans		-856	-1,336
Dividends paid		-566	—
Share buy-backs, own shares		-205	—
Payout, convertible programme		-7	—
Cash flow from financing activities		**479**	**-488**
Cash flow for the period		266	757
Opening cash and cash equivalents		889	133
Closing cash and cash equivalents		**1,155**	**889**

Amounts are in SEK millions unless otherwise stated

Note 1

Material accounting policies

1.1 Compliance with standards and legal requirements
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations published by the International Financial Reporting Interpretations Committee (IFRIC) approved by the European Commission for application in the EU. In addition, the Swedish Financial Reporting Board's recommendation RFR 1 (Supplementary Accounting Rules for Groups) has been applied.

The parent applies the same accounting policies as the Group except in those cases specified below in the "Parent accounting policies" section. The differences between the accounting policies of the parent and the Group are due to limitations in the parent's scope to apply IFRS imposed by the Swedish Annual Accounts Act and the Pension Obligations Vesting Act (Tryggandelagen), and in some cases to tax reasons.

1.2 Basis of preparation of the parent and consolidated financial statements
The parent's functional currency is the Swedish krona (SEK), which is also the presentation currency for the parent and the Group. This means that the financial statements are presented in SEK. Assets and liabilities are recognised at cost, except for various investments and liabilities which are carried at fair value. The financial assets and liabilities which are carried at fair value are derivative instruments, contingent considerations and financial investments. The preparation of financial statements in accordance with IFRS requires management to make judgements and estimates, and to make assumptions which affect the application of the accounting policies and the carrying amounts of assets, liabilities, income and expenses.

These estimates and assumptions are based on historical experience and several other factors deemed reasonable under the circumstances. The results of these estimates and assumptions are then used to judge the carrying amounts of assets and liabilities where these are not clear from other sources. The actual outcome may differ from these estimates and judgements. Estimates and assumptions are reviewed regularly. Changes in estimates are recognised in the period in which the change is made if the change affects only that period, or in both the period in which the change is made and future periods if the change affects both the current and future periods. Judgements made by management in applying IFRS which have a significant effect on the financial statements, and estimates made which could result in material adjustments in subsequent years' financial statements, are described in more detail in Note 31.

The following accounting policies for the Group have been applied consistently to all periods presented in the Group's financial statements unless otherwise stated below. The Group's accounting policies have been applied consistently in the reporting and consolidation of the parent, subsidiaries and the inclusion of associates and joint ventures in the consolidated accounts. The annual report and consolidated financial statements were approved for release by the Board of Directors on 30 March 2022. The consolidated income statement and balance sheet and the parent income statement and balance sheet will be put forward for adoption at the AGM on 28 April 2022.

1.3 Amended accounting policies and disclosure requirements
1.3.1 New and amended accounting policies and interpretations for the year
The IFRS Interpretations Committee (IFRS IC) published an agenda decision in April 2021 regarding configuration or customisation costs in cloud computing arrangements. This refers to services in which the supplier offers access to a specific product while controlling the underlying infrastructure and software. During the year, AFRY completed a review of the effects on the consolidated accounts of the IFRS IC's decision and found that some previously recognised intangible assets no longer fulfil the requirements for recognition as intangible assets. Adjustments were made retrospectively in accordance with the rules for amending accounting policies in IAS 8 and previous periods have been recalculated. The effect of this change has been classified in profit or loss as non-recurring costs, see Note 9. The effects are presented below.

Consolidated balance sheet, transition effect of IFRS IC's "Cloud computing arrangements"

	Reported full year 2019	Adjustments	Adjusted reported full year 2019
Intangible assets	13,355	-49	13,306
Other non-current assets	2,929	17	2,946
of which deferred tax		*8*	
Equity	9,369	-31	9,338

Consolidated balance sheet, IFRS IC's "Cloud computing arrangements"

	Reported full year 2020	Adjustments	Adjusted reported full year 2020
Intangible assets	12,912	-148	12,764
Other non-current assets	2,567	58	2,624
of which deferred tax		*23*	
Equity	10,096	-91	10,005

Note 1, cont.

Consolidated income statement, IFRS IC's "Cloud computing arrangements"

	Reported full year 2020	Adjustments	Adjusted reported full year 2020
Net sales	18,991		18,991
Staff costs	-11,860		-11,860
Purchases of services and materials	-3,811		-3,811
Other costs	-1,269	-81	-1,350
Other income	198		198
Profit attributable to participations in associates	5		5
EBITDA	**2,253**	**-81**	**2,172**
Depreciation/amortisation and impairment of non-current assets	-670	7	-663
EBITA	**1,584**	**-74**	**1,509**
Acquisition-related items	-128		-128
Operating profit (EBIT)	**1,456**	**-74**	**1,382**
Net financial items	-185		-185
Profit/loss after financial items	**1,270**	**-74**	**1,196**
Tax	-279	15	-264
Profit/loss for the period	**991**	**-59**	**932**

Consolidated cash flow, IFRS IC's "Cloud computing arrangements"

	Reported full year 2020	Adjustments	Adjusted reported full year 2020
Cash flow from operating activities	2,085	-81	2,004
Cash flow from investing activities	-345	81	-264
Cash flow from financing activities	-987		-987
Cash flow for the period	**753**	**—**	**753**

Key ratios

	Reported full year 2020	Adjustments	Adjusted reported full year 2020
EBITA margin, %	8.3	-0.4	7.9
Basic earnings per share, SEK	8.81	-0.52	8.29
Diluted earnings per share, SEK	8.81	-0.52	8.29
Return on equity, %	10.1	-0.6	9.5
Return on capital employed, %	8.1	-0.4	7.7
Equity ratio, %	42.8	-0.3	42.5
Equity per share, SEK	89.32	-0.8	88.52

1.3.2 New and amended accounting policies which have not yet come into force

None of the IFRS or IFRIC interpretations which have not yet become effective are estimated to have any significant impact on the Group.

1.4 Segment reporting

Segment reporting is based on operating segments, which consist of the Group's five divisions. This corresponds to the structure for the CEO's monitoring and management of operations.

1.5 Classification etc.

In the financial statements for both the parent and the Group, non-current assets and non-current liabilities consist essentially of amounts expected to be recovered or settled more than 12 months after the end of the reporting period. Current assets and liabilities for the parent and the Group consist essentially of amounts expected to be recovered or settled within 12 months of the end of the reporting period.

1.6 Basis of consolidation

1.6.1 Subsidiaries

Subsidiaries are companies over which AFRY AB has a controlling influence. A controlling influence means, directly or indirectly, the power to govern a company's financial and operating policies with a view to deriving economic benefits.

Subsidiaries are accounted for using the acquisition method. This means that the acquisition of a subsidiary is treated as a transaction where the Group indirectly acquires the subsidiary's assets and assumes its liabilities and contingent liabilities. The consolidated cost is determined by means of an acquisition analysis undertaken in connection with a business combination. The analysis determines the cost of participations or businesses, the fair value of acquired identifiable assets and assumed liabilities, contingent liabilities and equity instruments issued as consideration for the net assets acquired.

Goodwill is the difference between the cost of the shares in a subsidiary and the fair value of the assets acquired and liabilities and contingent liabilities assumed. Subsidiaries' financial statements are consolidated from the date of acquisition until the controlling influence is relinquished.

1.6.2 Associates and joint arrangements

Associates

Associates are companies over whose operational and financial management the Group exercises a significant but not controlling influence, generally through a holding of 20-50 percent of the votes. As from and including the date on which the controlling influence is obtained, participations in associates are recognised in accordance with the equity method in the consolidated financial statements.

Joint arrangements

There are two types of joint arrangement: joint operation and joint venture. A joint operation arises when one party in a joint operation has direct rights to the assets and obligations for the liabilities in that joint arrangement. In such an arrangement, assets, liabilities, income and expenses are recognised in proportion to the operator's interest in these. A joint venture is a joint arrangement whereby the parties that have joint control over the arrangement have rights to the net assets of the arrangement. Holdings in such an arrangement are recognised using the equity method.

The equity method

The equity method means that the carrying amount of the shares in the associate/joint venture recognised in the consolidated financial statements consists of the Group's share of the associate's/joint venture's equity plus goodwill and any other remaining fair value adjustments. The Group's share of the associate's/joint venture's net income after tax and non-controlling interests, adjusted for any depreciation/amortisation, impairment or reversal of fair value adjustments, is recognised in the consolidated income statement under profit/loss attributable to participation in associates. Any dividends received reduce the carrying amount of the investment. Any difference at the time of acquisition between the cost of the investment and the investor's interest in the net fair value of the associate's/joint venture's identifiable assets, liabilities and contingent liabilities is recognised in accordance with IFRS 3 Business Combinations. If the Group's interest in recognised losses exceeds the carrying amount of the shares in the consolidated balance sheet, the carrying amount of the shares is reduced to zero. Further losses are not recognised unless the Group has issued guarantees to cover losses arising. The equity method is applied until the significant influence is relinquished.

1.6.3 Transactions eliminated on consolidation

Intra-Group receivables and liabilities, income or expenses, and unrealised gains or losses arising on transactions between Group companies, are eliminated in their entirety when preparing the consolidated financial statements.

Unrealised gains arising on transactions with associates and joint arrangements are eliminated in proportion to the Group's interests in the company. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no indication of impairment.

1.7 Foreign currencies

1.7.1 Transactions in foreign currency

Transactions in foreign currency are translated into the functional currency at the exchange rate in effect on the transaction date. Monetary assets and liabilities in foreign currency are translated into the functional currency at the exchange rate in effect at the end of the reporting period. Exchange differences arising on translation are recognised in profit or loss. Non-monetary assets and liabilities carried at cost are translated at the exchange rate in effect on the transaction date. Non-monetary assets and liabilities carried at fair value are translated into the functional currency at the exchange rate in effect when their fair value was determined. Changes in exchange rates are then recognised in the same way as other changes in the value of the asset or liability.

The functional currency is the currency of the primary economic environments in which the companies in the Group operate. The parent's functional currency and presentation currency is the Swedish krona (SEK). The Group's presentation currency is also the Swedish krona (SEK).

1.7.2 Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and other fair value adjustments, are translated into SEK at the exchange rate in effect at the end of the reporting period. The income and expenses of foreign operations are translated into SEK at an average exchange rate which approximates the exchange rates on the various transaction dates.

Translation differences arising on the translation of net investments in foreign operations are recognised in other comprehensive income. When a foreign operation is sold, the accumulated translation differences attributable to the operation are realised net of any currency hedging in the consolidated income statement.

1.8 Revenue

The Group's business model is divided into two client offerings: Project Business and Professional Services. Project Business is the Group's offering for major projects and end-to-end solutions. In such projects, the Group acts as a partner for the client, leading and running the entire project. Professional Services is our offering where the client leads and runs the project, while the Group provides suitable expertise at the appropriate time. Invoicing in Project Business takes place as work proceeds in accordance with agreed terms and conditions, either periodically (monthly) or when contractual milestones are reached. Invoicing ordinarily takes place after the income has been recorded, resulting in revenue generated but not invoiced (contract

Note 1, cont.

assets). However, the Group sometimes receives advance payments or deposits from our clients before the income is recognised, which then results in work invoiced but not yet carried out (contract liabilities). In Professional Services, hours spent on a project are ordinarily invoiced at the end of each month. Performance obligations in Project Business are fulfilled over time as the service is provided. Revenue recognition is based on costs with accumulated costs set in relation to total estimated costs. In Professional Services, revenue is recognised by the amount that the unit is entitled to invoice, in accordance with IFRS 15 B16.

1.9 Operating expense and financial income and expense

1.9.1 Leases

IFRS 16 entails a uniform lease accounting model for lessees. A lessee recognises a right-of-use asset that represents a right to use the underlying asset and a lease liability that represents an obligation to make lease payments. The Group applies exemptions for short-term leases and leasing of low-value assets. The interest rate that has been used is set per country and asset class, and taking into account the respective contract's lease term.

1.9.2 Financial income and expense

Financial income and expense consists of interest income on bank balances and receivables etc., interest expense on loans, borrowing costs, dividend income and exchange differences on borrowings and receivables. Interest income on receivables and interest expense on liabilities are calculated using the effective interest method. The effective rate is the interest rate that makes the present value of all future receipts and payments during the period of fixed interest equal to the carrying amount of the receivable or liability. The interest component of lease payments is recognised in profit or loss by applying the effective interest method. Interest income includes accrued transaction costs and any discounts, premiums or other differences between the original value of the receivable and the amount received at maturity. Borrowing costs are charged against profit/loss for the period to which they refer. Costs arising when raising a loan are divided over the maturity of the loan based on the recognised liability. Dividend income is recognised when the right to receive payment has been determined.

1.10 Financial instruments

Financial instruments recognised among assets in the balance sheet include cash and cash equivalents, accounts receivable, shares, financial investments and other equity instruments and derivatives. Liabilities and equity include accounts payable, debt and equity instruments issued, borrowings, contingent considerations and derivatives. A financial asset or financial liability is recognised in the balance sheet when the company becomes a party to the terms and conditions of the instrument. Accounts receivable are recognised in the balance sheet when an invoice has been sent. A liability is recognised when the counterparty has completed its undertaking and a contractual obligation to pay exists, even if no invoice has yet been received. Accounts payable are recognised when the invoice has been received. A financial asset is derecognised from the balance sheet when the rights in the contract are realised or mature or the company loses control of them. This also applies to parts of financial assets. A financial liability is derecognised from the balance sheet when the obligation in the contract is performed or otherwise extinguished. This also applies to parts of financial liabilities. Acquisition and disposal of financial assets are recognised on the trade date, which is the date on which the company makes a binding commitment to buy or sell the asset.

1.10.1 Classification and valuation

Financial instruments that are not derivatives are recognised initially at a cost equal to the fair value of the instrument plus transaction costs for all financial instruments except those in the financial assets at fair value through profit or loss category, which are recognised at fair value excluding transaction costs. A financial instrument is classified on initial recognition based on the purpose for which the instrument was acquired. The classification determines how the financial instrument is measured after initial recognition, as described below.

Derivative instruments are initially recognised at fair value, meaning that transaction costs are charged to profit or loss for the period. After initial recognition, derivative instruments are recognised in the manner described below. The parent applies the same valuation principles as the Group for financial instruments (see note 13 for more information).

1.10.2 Financial assets not recognised at fair value

Financial assets not recognised at fair value are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are measured at amortised cost. Amortised cost is determined based on the effective interest rate calculated on the date of acquisition. Assets with short maturities are not discounted. Accounts receivable are recognised at the amount which is expected to be received, i.e. after the deduction of bad debts, assessed individually. Impairment losses on accounts receivable are recognised in operating expenses. Other receivables are classified as non-current receivables if the holding period is longer than one year and if they are shorter than other receivables.

Cash and cash equivalents consists of cash and funds immediately available in banks and equivalent institutions, as well as short-term liquid investments that mature less than three months after the time of acquisition and are subject to only an insignificant risk of fluctuation in value.

1.10.3 Financial assets and liabilities measured at fair value through profit or loss

Assets and liabilities in this category are measured continuously at fair value with changes for the period recognised in profit or loss for the period. Contingent considerations and forward exchange contracts belong to this category.

1.10.4 Financial liabilities not recognised at fair value

Loans and other financial liabilities, such as accounts payable, are included in this category. These liabilities are measured at amortised cost. Accounts payable have a short expected term and are valued without discounting to their nominal amount. Non-current liabilities have an anticipated term exceeding one year, while current liabilities have a term of less than one year. Staff convertibles may be converted into shares by the counterparty exercising their option to convert the receivable into shares and are recognised as a combined financial instrument divided into a liability component and an equity component.

The fair value of the liability is calculated by discounting the future cash flows by the current market rate for a similar liability with no right to conversion. The value of an equity instrument is calculated as the difference between the issue proceeds when the convertible debt instrument was issued and the fair value of the financial liability at the time of issue. Any deferred tax attributable to the liability at the time of issue is deducted from the carrying amount of the equity instrument. Transaction costs in connection with the issue of a combined financial instrument are divided into the liability component and the equity component in proportion to the division of the issue proceeds. The interest expense is recognised in profit or loss and calculated using the effective interest method.

1.10.5 Financial assets and liabilities measured at fair value in other comprehensive income

Financial investments measured at fair value in other comprehensive income are included in this category.

1.11 Derivatives and hedging

Derivative instruments used for hedging future cash flows are recognised in the balance sheet at fair value. The changes in value are recognised in other comprehensive income (cash flow hedging) or the balance sheet (fair value hedging) until the hedged flow affects profit or loss, at which point the accumulated changes in value of the hedging instrument are recycled into profit or loss simultaneously with the profit or loss effects of the hedged transaction. The flows hedged may be both contracted and forecast transactions. Gains and losses on hedges are recognised in the income statement concurrently with recognition of gains and losses for the items that are hedged. Even if hedge accounting is not applied, increases and decreases in the value of a derivative are recognised as income and expense, respectively, in operating profit or in net financial items, based on the intended use of the derivative instrument. In hedge accounting, the ineffective portion is recognised in the same way as changes in the value of derivatives not used for hedge accounting.

1.12 Property, plant and equipment

1.12.1 Owned assets

Property plant and equipment are recognised as assets in the balance sheet if it is likely that future economic benefits will accrue to the company, and the cost of the asset can be calculated reliably. Property plant and equipment are recognised in the Group at cost less accumulated depreciation and any impairments. Cost is defined as the purchase price plus any additional expenses directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the intended manner.

Property, plant and equipment comprising parts that have different useful lives are treated as separate components of property, plant and equipment. The carrying amount of property, plant and equipment is derecognised from the balance sheet on retirement or disposal or when no future economic benefits are expected to flow from the use or retirement/disposal of the asset. Gains or losses realised on the disposal or retirement of an asset consist of the difference between the sales price and the carrying amount of the asset, less direct selling expenses. Gains and losses are recognised as other operating income/expenses.

Subsequent expenditure

Subsequent expenditure is added to the cost only if it is probable that the future economic benefits associated with the asset will accrue to the company and the cost can be measured reliably.

1.12.2 Leased assets

As from 1 January 2019, leased assets are reported in accordance with IFRS 16 Leases. Previously IAS 17 was applied (see also Note 24).

1.12.3 Depreciation

Depreciation is recognised on a straight-line basis over the estimated useful life of the asset. Estimated useful life is as follows:

IT equipment	3 years
Cars	5 years
Office facilities	5 years
Office furniture	10 years
Buildings (owner-occupied properties)	40–100 years

Owner-occupied properties consist of several components with different useful lives. The main division is land and buildings. Land is not subject to depreciation as its useful life is deemed to be infinite. However, buildings consist of several components with different useful lives. The useful life has been estimated to vary between 40 and 100 years for these components. An asset's residual value and useful life are assessed annually.

1.13 Intangible assets

1.13.1 Goodwill

Goodwill is the difference between the cost of acquired businesses and the fair value of the assets acquired and liabilities and contingent liabilities assumed. Goodwill is apportioned between cash-generating units and groups of cash-generating units and is tested annually for impairment.

Thus, goodwill is carried at cost less accumulated impairment losses. Goodwill arising from the acquisition of associates is included in the carrying amount for participations in associates. Where the cost of acquired businesses is less than the net fair value of the assets acquired and liabilities and contingent liabilities assumed, the difference is recognised immediately in profit or loss.

1.13.2 Other intangible assets

Other intangible assets acquired by the Group are carried at cost less accumulated amortisation and impairment. Costs incurred for internally generated goodwill and brands are recognised in the income statement when the cost is incurred.

Other intangible assets are recognised as assets in the balance sheet when a non-monetary asset is identifiable, it is likely that future economic benefits will accrue to the company, the cost of the asset can be calculated reliably and when the company has control over the asset.

1.13.3 Subsequent expenditure

Subsequent expenditures for capitalised intangible assets are recognised as assets in the balance sheet only when they increase the future economic benefits of the specific asset to which they are attributed and meet other criteria as stated above. All other expenditures are expensed in the period they arise.

1.13.4 Amortisation

Amortisation is recognised in the income statement on a straight-line basis over the estimated useful life of the intangible asset unless such useful life is unspecified. Amortisable intangible assets are amortised from the date on which they are available for use. Estimated useful life is as follows:

Capitalised development expenditure	1–3 years
Outstanding orders	1–5 years
Client relationships	10–20 years
Brands	2–5 years
ERP system	3–10 years

1.14 Impairment

The carrying amounts of the Group's assets — except for assets held for sale recognised in accordance with IFRS 5 and deferred tax assets — are tested at the end of each reporting period to assess whether there is any indication of impairment. If there is such an indication, the recoverable amount of the asset is calculated. Goodwill and intangible asset's with indefinite useful life are tested for impairment annually, or as soon as there are indications that the asset in question has declined in value. For exempt assets described above, the measurement is tested in compliance with the respective standard.

1.14.1 Impairment tests for property, plant and equipment and intangible assets, as well as participations in subsidiaries and associates

The recoverable amount is the higher of fair value less costs to sell and value in use. When estimating value in use, future cash flows are discounted by a factor that considers risk-free interest and the risk associated with the specific asset. For an asset that does not generate cash flows that are materially independent of other assets, value in use is calculated for the cash-generating unit to which the asset belongs. Impairment reflects the excess of the asset's carrying amount over its recoverable amount. Impairment of assets attributable to a cash-generating unit is initially allocated to goodwill. This is followed by proportional impairment of other assets in the unit.

1.14.2 Impairment test for financial assets

When accounts are prepared for reporting, the company assesses whether there is objective evidence that any financial asset or group of assets is impaired. Objective evidence consists both of observable circumstances that have arisen which have a negative effect on the ability to recover the cost, and of significant or long-lasting reductions in the fair value of an investment in a financial investment classified as a financial asset measured at fair value via comprehensive income. The recoverable amount of assets in the financial assets not recognised at fair value category which are recognised at amortised cost is measured as the present value of future cash flow discounted at the effective interest rate of the date on which the asset was first recognised. Assets with short maturities are not discounted. Impairment is charged to profit or loss. IFRS 9 replaced the 'incurred loss model' from IAS 39 with an 'expected credit loss model'. The impairment model

Note 1, cont.

is applied to financial assets measured at amortised cost, contract assets and debt instruments measured at fair value via comprehensive income, but not to any investments in equity instruments.

1.14.3 Reversal of an impairment loss
An impairment is reversed if there is an indication that there is no longer a need for the impairment and there has been a change in the assumptions on which the calculation of the recoverable amount was based. However, impairment of goodwill is never reversed. An impairment is reversed only to the extent to which the carrying amount of the asset after reversal does not exceed the carrying amount that would have been recognised, less depreciation where relevant, if no impairment had been made.

Impairments of loans and receivables recognised at amortised cost are reversed if a later increase in the recoverable amount is objectively attributable to an event that occurred after the impairment was made. Impairment losses on equity instruments designated as available-for-sale financial assets that have already been recognised in profit or loss may not subsequently be reversed through profit or loss. The impaired value is the value from which subsequent remeasurement takes place, which is recognised in other comprehensive income. Impairments of interest-bearing instruments classified as financial assets available for sale are reversed to profit or loss if the fair value increases and the increase may be objectively attributed to an event that occurred after the impairment was made.

1.15 Dividends
Dividends are recognised as a liability once they have been approved at the Annual General Meeting.

1.16 Employee benefits
1.16.1 Defined-contribution pension plans
Obligations concerning contributions to defined-contribution pension plans are recognised as expenses in the income statement when they are incurred.

1.16.2 Defined-benefit pension plans
The Group's obligations concerning defined-benefit pension plans are calculated separately for each plan by estimating the future payment which the employees earned through employment in both current and previous periods. This payment is discounted to present value. The discount rate is the interest rate at the end of the reporting period on a high-quality investment-grade corporate bond with the term equivalent to the Group's pension obligations. When there is no active market for this type of corporate bond, the market rate for government mortgage bonds with an equivalent term is used instead. The calculations are performed by a qualified actuary using the projected unit credit method.

Actuarial gains and losses are recognised in other comprehensive income for the period in which they arise. The Group's net debt, which is also recognised in the balance sheet for each defined-benefit plan, consists of the present value of the obligation less the fair value of plan assets. If the value of plan assets exceeds the value of the obligation, a surplus arises, and this is recognised as an asset under other receivables. Past service costs are recognised immediately in profit or loss. When there is a difference in how the cost of a pension is determined for a legal entity and the Group, a provision or claim for special employer's contribution is recognised based on this difference. The provision or claim is not calculated at present value.

1.16.3 Share-based payment
Under the share plan adopted by the Annual General Meeting, employees are eligible to receive performance-related matching shares for shares which they have themselves purchased under the plan. For these share plans, payroll expenses for matching shares are recognised during the vesting period (three years) based on the fair value of the shares on the date on which the employee purchased shares under the plan. Provisions are made for estimated social security contributions during the vesting period. The buy-back of shares to meet obligations under outstanding share plans is recognised in equity.

1.16.4 Convertible programme
The Group has issued convertible instruments to its employees. The convertible instruments are divided into an amount owed and a conversion option. The latter is recognised in equity. The programmes do not entail any personnel costs.

1.16.5 Termination benefits
A provision is made for termination benefits only when the company is demonstrably committed to terminating employment before the normal date, or when the benefits are based on an offer made to encourage voluntary redundancy. If the company is obliged to lay off members of staff, a detailed plan is drawn up specifying as a minimum the location, function and approximate number of employees involved, the benefits for each job classification or function, and the time at which the plan will be implemented.

1.17 Provisions
A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation from a past event, and when it is probable that an outflow of economic resources will be required to meet this obligation, and a reliable estimate of the amount of the obligation can be made. If the effect of when in time payment is made is significant, provisions are calculated by discounting the expected future cash flow at an interest rate before tax that reflects current market assessments of the time value of money and, if applicable, the risks associated with the liability. A provision for restructuring is recognised when the Group has adopted a comprehensive and formal restructuring plan, and the restructuring has either been started or published. No provisions are made for future operating expenses.

1.18 Taxes
Income taxes comprise current tax and deferred tax. Income taxes are recognised in the income statement except when the underlying transaction is recognised in other comprehensive income, in which case the associated tax effect is recognised in other comprehensive income. Current tax is the tax payable or recoverable in respect of the current year, based on the tax rates enacted or substantively enacted at the end of the reporting period, including adjustments of current tax in respect of prior periods.

Deferred tax is calculated using the balance sheet method, based on temporary differences between the carrying amount and tax values of assets and liabilities. The following temporary differences are not taken into consideration: temporary differences that occurred when goodwill was first recognised and the first recognition of assets and liabilities that are not business combinations and, at the time of the transaction, do not affect either the recognised or taxable profit. Nor are temporary differences considered that are attributable to participations in subsidiaries and associates in which the parent, the investor or the co-owner may control the time of reversal of the temporary differences, and it is probable that they will not be reversed in the foreseeable future. The measurement of deferred tax is based on how the carrying amounts of assets and liabilities are expected to be realised or settled.

Deferred tax is calculated applying the tax rates and tax rules adopted or adopted in practice at the reporting date. Deferred tax assets for tax-deductible temporary differences and loss carry-forwards are recognised only to the extent it is likely that it will be possible to utilise these items. The value of deferred tax assets is reduced when it is no longer deemed likely that they can be utilised. Any additional income tax arising on the payment of dividends is recognised at the same time as the dividend is recognised as a liability.

Note 1, cont.

1.19 Contingent liabilities
A contingent liability is recognised whenever there is a possible obligation arising from past events and the existence of which is confirmed only by one or more uncertain future events, or there is an obligation not recognised as a liability or provision because it is not probable that an outflow of resources will be required, or the amount cannot be calculated with adequate reliability.

1.20 Earnings per share
Calculation of earnings per share is based on consolidated profit or loss for the year attributable to shareholders of the parent and on the weighted average number of outstanding shares during the year. In calculating earnings per share after dilution, the profit or loss and the average number of shares are adjusted to take account of the effects of potential diluting ordinary shares, which derive during the reporting periods from matching shares in the share plan and the staff convertible programme.

1.21 Parent accounting policies
The parent has prepared its annual report in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. RFR 2 requires that the parent's annual report apply all IFRS standards and interpretations approved by the EU as far as is possible within the constraints of the Annual Accounts Act and the Pension Obligations Vesting Act (Tryggandelagen), and while considering the relationship between reporting and taxation. The recommendation specifies which exceptions from and additions to IFRS must be made. The differences between Group and Parent accounting policies are stated below. The accounting policies outlined below have been applied consistently to all periods presented in the parent's financial statements.

Differences between the Group's and the parent's accounting policies
1.21.1 Subsidiaries and associates
Shares in subsidiaries and associates are recognised in the parent using the cost method. Acquisition costs are recognised as shares in subsidiaries instead of being expensed. Dividends received are recognised as income.

1.21.2 Property, plant and equipment
Leased assets
The parent recognises all leases based on RFR 2 as it did previously for operating leases.

1.21.3 Financial liabilities not recognised at fair value
Regarding hedge accounting, the parent applies the exception from IAS 21 in accordance with RFR2. The hedging instrument is recognised at its original rate and the currency effects are recognised at the time of execution.

1.21.4 Financial guarantees
The parent's financial guarantee contracts consist mainly of guarantees in favour of subsidiaries and associates. Financial guarantees mean that the company has an obligation to compensate the holder of a debt instrument for losses the latter incurs as a result of a specified debtor failing to make payment when due under the contract terms. The parent applies RFR 2 for the recognition of financial guarantee contracts. This represents a relaxation compared with the rules in IFRS 9 in respect of financial guarantee contracts issued for the benefit of subsidiaries and associates. The parent recognises financial guarantee contracts as a provision in the balance sheet when the company has an obligation for which payment is probably necessary to settle the obligation.

1.21.5 Employee benefits
Defined-benefit pension plans
In calculating defined-benefit pension plans, the bases for calculation applied by the parent differ from those specified in IAS 19. The parent complies with the provisions of the Pension Obligations Vesting Act and the Swedish Financial Supervisory Authority's regulations as this is a precondition for tax deductibility. The most significant differences compared with IAS 19 are the method for determining the discount rate, the calculation of defined-benefit obligations based on current salary levels without assumptions on future salary increases and the recognition of all actuarial gains and losses in profit or loss when they arise.

1.21.6 Taxes
In the parent, untaxed reserves are recognised inclusive of deferred tax liability. In the consolidated accounts, however, untaxed reserves are split into deferred tax liability and equity.

1.21.7 Group contributions and shareholders' contributions for legal entities
Both Group contributions received and paid are recognised as appropriations. Shareholders' contributions are recognised directly in equity by the recipient and are capitalised as participations by the contributor, insofar as impairment is not required.

Note 2

Segment reporting

Income and expense

	Infrastructure		Industrial & Digital Solutions		Process Industries		Energy		Management Consulting		Group Common		Eliminations		Group	
Group	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Sales to external clients	7,562	7,431	5,644	4,929	3,466	3,191	2,575	2,643	941	782	698	768	-783	-752	20,104	18,991
Sales between segments	151	220	137	145	351	251	108	153	49	31	465	547	-1,261	-1,347	—	—
Net sales	7,714	7,650	5,781	5,074	3,817	3,441	2,683	2,796	990	813	1,163	1,315	-2,043	-2,099	20,104	18,991
Operating expense	-7,109	-6,961	-5,284	-4,740	-3,332	-3,069	-2,371	-2,527	-825	-703	-867	-918	2,043	2,099	-17,745	-16,819
Amortisation and impairment of intangible assets	-5	-4	0	-1	-6	-3	-1	-1	0	-3	-581	-543	—	—	-593	-555
Depreciation and impairment, property, plant and equipment	-31	-32	-7	-8	-9	-6	-10	-11	-4	-3	-43	-48	—	—	-104	-109
EBITA	568	652	490	325	470	363	301	257	161	104	-329	-193	—	—	1,662	1,509
Acquisition-related items	0	38	0	1	0	13	0	0	0	—	-139	-179	—	—	-139	-128
EBIT	568	691	490	326	470	377	301	257	161	104	-468	-372	—	—	1,523	1,382
Net financial items															-129	-185
Profit/loss before tax															1,393	1,196
EBITA margin, %	7.4	8.5	8.5	6.4	12.3	10.6	11.2	9.2	16.2	12.8	—	—	—	—	8.3	7.9
Total growth, %	0.8	-0.3	13.9	-12.2	10.9	12.9	-4.1	-7.6	21.8	21.8	—	—	—	—	5.9	-4.0

As a result of a small internal redistribution in 2020, comparative figures have been adjusted to provide a better reflection of operations.

Operating Segments

The Group's operating structure and internal reporting to the President and CEO are based on accounting by divisions. The aim is to classify the divisions based on their clients and their own expertise. Intra-group sales between segments are based on an internal market price, calculated on an arms-length basis, i.e. as between parties who are mutually independent, well-informed and with an interest in completing the transactions.

Group Common items concern traditional parent functions. The same accounting policies apply for operating segments as for the rest of the Group. No individual client's sales account for 10 percent or more of the Group's total sales.

	Net sales		Non-current assets	
By geographical area	**2021**	**2020**	**2021**	**2020**
Sweden	12,939	12,071	229	1,529
Finland	2,416	2,356	88	72
Norway	1,907	1,685	145	328
Switzerland	1,513	1,636	223	243
Denmark	1,015	899	16	137
Germany	712	658	9	7
Other countries	3,314	2,982	123	126
Group Common/eliminations	-3,712	-3,295	15,674	13,127
Total	**20,104**	**18,991**	**16,507**	**15,569**

Income from external customers are attributable to the countries where the sales have taken place.

Note 2, cont.

Income

Net sales according to the business model

	Infrastructure	Industrial & Digital Solutions	Process Industries	Energy	Management Consulting	Group Common/ eliminations	Group
Project Business	7,485	2,247	2,463	2,166	946	-520	14,788
Professional Services	228	3,534	1,354	517	44	-361	5,316
Total	**7,714**	**5,781**	**3,817**	**2,683**	**990**	**-880**	**20,104**

AFRY's business model is divided into two client offerings: Project Business and Professional Services. Project Business is AFRY's offering for major projects and end-to-end solutions. In such projects, AFRY acts as a partner to the client, leading and running the entire project. Professional Services is AFRY's offering where the customer leads and runs the project, while AFRY provides suitable expertise at the appropriate time.

Invoicing in Project Business takes place as work proceeds in accordance with agreed terms and conditions, either periodically (monthly) or when contractual milestones are reached. Invoicing ordinarily takes place after the income has been recorded, resulting in contract assets. However, AFRY sometimes receives advance payments or deposits from our clients before the income is recognised, which then results in contract liabilities. In Professional Services, hours spent on a project are ordinarily invoiced at the end of each month. Performance obligations in Project Business are fulfilled over time as the service is provided. Revenue recognition is based on costs with accumulated costs set in relation to total estimated costs. In Professional Services, revenue is recognised by the amount that the unit is entitled to invoice, in accordance with IFRS 15 B16.

Outstanding orders (unfulfilled performance obligation)

At the end of the reporting period, the Group had unfulfilled obligations of approximately SEK 16 billion. Most of these obligations will be realised as revenue in the coming years. The outstanding orders exclude obligations in which the company is entitled to payment for time worked, i.e. primarily professional services. Given the Group's operations, follow-up is focused on major project obligations that are relevant as regards outstanding orders.

Revenue generated but not invoiced

No significant reserves have been made in the balance sheet for revenue generated but not invoiced during the year.

Work invoiced but not yet carried out

The items that were in the opening balance have essentially been entered as income during the year.

Note 3

Acquisition of operations

Acquisitions 2021

In 2021, AFRY took possession of all shares in the companies shown in the table below. The acquired companies resulted in an increase of approximately 586 employees. No single one of the acquisitions is substantial, and for that reason they are recognised jointly in the table below.

Effects of acquisitions

The table below shows the effect of the 2021 acquisitions on consolidated assets and liabilities. The acquisition analyses are preliminary since fair value has not been determined for all items.

2021	Company	Country	Division	Annual net sales	Average full-time equivalents (FTEs)
Jan–Mar	ITE Østerhus AS	Norway	Process Industries	40	22
Jan–Mar	ProTAK Systems AB	Sweden	Process Industries	13	9
Jan–Mar	EKOM AB	Sweden	Energy	5	3
Jan–Mar	Gärderup Byggkonstruktion AB	Sweden	Infrastructure	8	6
Apr–Jun	Insinööritoimisto Suunnittelukide Oy	Finland	Infrastructure	34	25
Apr–Jun	Evolve Technology Sweden AB	Sweden	Industrial & Digital Solutions	85	56
Apr–Jun	Optima Nexus Consulting AG	Switzerland	Industrial & Digital Solutions	37	17
Apr–Jun	TM Konsult AB	Sweden	Infrastructure	100	112
Apr–Jun	Pinja Industry Oy	Finland	Process Industries	140	150
Apr–Jun	Simosol Oy	Finland	Management Consulting	20	22
Apr–Jun	Numerola Oy	Finland	Energy	12	10
Apr–Jun	MosaicMill Oy	Finland	Management Consulting	4	2
Jul–Sep	Insuco ApS	Denmark	Infrastructure	13	11
Jul–Sep	Cubiq Analytics Oy	Finland	Management Consulting	67	60
Oct–Dec	Zert AB	Sweden	Industrial & Digital Solutions	16	9
Oct–Dec	Trivola AB	Sweden	Industrial & Digital Solutions	40	22
Oct–Dec	Vivento AS	Norway	Industrial & Digital Solutions	90	50
Total				**724**	**586**

Note 3, cont.

Total net assets of acquired companies at date of acquisition, 2021

2021	Identifiable assets and liabilities	Fair value adjustment	Fair value recognised in the Group
Intangible non-current assets	10	62	71
Property, plant and equipment	5		5
Right-of-use assets	0		0
Financial assets	15		15
Accounts receivable and other receivables	184		184
Cash and cash equivalents	139		139
Deferred tax		-12	-12
Accounts payable, loans and other liabilities	-189		-189
Net identifiable assets and liabilities	**164**	**50**	**213**
Goodwill	1,059		1,059
Purchase consideration including estimated contingent consideration	**1,222**	**50**	**1,272**
Transaction costs	8		8
Less:			
Cash (acquired)	139		139
Estimated discounted contingent consideration	185		185
Net cash outflow	**906**	**50**	**955**

Total net assets of acquired companies at date of acquisition, 2020

2020	Identifiable assets and liabilities	Fair value adjustment	Fair value recognised in the Group
Intangible assets	1	3	4
Property, plant and equipment	0		0
Financial assets	0		0
Accounts receivable and other receivables	7		7
Cash and cash equivalents	9		9
Deferred tax	0	-1	-1
Accounts payable, loans and other liabilities	-7		-7
Net identifiable assets and liabilities	**11**	**2**	**13**
Goodwill	59		59
Purchase consideration including estimated contingent consideration	**69**	**2**	**72**
Transaction costs	1		1
Less:			
Cash (acquired)	9		9
Estimated discounted contingent consideration	28		28
Net cash outflow	**33**	**2**	**35**

Acquired companies
Acquisition analyses are preliminary as the net assets in the companies acquired have not been conclusively analysed. The considerations paid for acquisitions for the year were larger than the booked net assets of the acquired companies, which means that the acquisition analyses have resulted in intangible assets.

Contingent consideration
Agreed contingent considerations in the acquired companies relate to the performance of each company for up to three years. Total undiscounted contingent consideration for the acquired companies during the year is a maximum of SEK 198 million (29). For further information on contingent consideration, see Note 13.

Goodwill
Goodwill primarily concerns human capital in the form of employee skills and synergy effects. Goodwill from acquisitions is not expected to be tax-deductible. For asset acquisitions, goodwill is tax-deductible in some countries. Non-controlling interest arising from an acquisition is recognised at fair value, which means that non-controlling interest has a measure of goodwill.

Other intangible non-current assets
Outstanding orders and client relationships are identified and assessed in connection with completed acquisitions.

Transaction costs
Transaction costs are recognised in Other external costs in profit or loss.

Acquired receivables
The fair value of the acquired receivables is expected to be settled in full. The agreed gross values essentially correspond to the fair values of the receivables.

Revenue from acquired companies
During the year, acquired companies/operations contributed SEK 381 million (21) to consolidated revenue and SEK 50 million (3) to operating profit.

If the above-mentioned acquisitions had been executed on 1 January 2021, they would have contributed sales of approximately SEK 737 million (44) and an operating profit of approximately SEK 103 million (9).

Assessment of acquisition analyses 2020
In 2020, AFRY acquired all shares in One World AS, Ramentor Oy and Lexter Ljuddesign AB. The acquired companies resulted in an increase of approximately 21 employees. No single one of the acquisitions is substantial, based on net sales and number of employees, and for that reason they are recognised jointly in the table under Total net assets of acquired companies at date of acquisition, 2020.

All acquisition analyses have been completed and have not led to any appreciable changes.

Note 4

Other operating income

Group	2021	2020
Exchange gains	0	1
Capital gain on divestment of non-current assets	11	3
Government grants	—	188
Other	47	6
	58	**198**

Other operating income of SEK 360 million (303) in the parent largely relates to the re-invoicing of rental charges, chiefly to subsidiaries.

Note 5

Fees and reimbursement of auditors' expenses

	Group		Parent	
	2021	2020	2021	2020
Auditing firm KPMG				
Audit engagements	13	13	2	1
Tax advice	0	0	—	0
Other services	1	1	0	0
	15	**15**	**2**	**2**
Other auditors				
Audit engagements	3	3	—	—
Tax advising	5	4	—	—
Other services	2	1	—	—
	10	**7**	**—**	**—**

'Audit engagements' refers to the auditing of the annual report, the accounting records and the administration by the Board of Directors and the President and CEO, other duties which it is incumbent upon the company's auditors to carry out, as well as advice and other assistance stemming from observations made during such audits or the execution of such other duties.

Note 6

Employees and personnel costs

Average number of full-time equivalents (FTEs) by gender

	2021			2020		
Parent	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**
Sweden	115	58	173	88	58	146
Subsidiaries						
Sweden	2,031	5,517	7,548	2,008	5,713	7,721
Finland	576	1,347	1,923	516	1,222	1,738
Norway	313	595	907	261	640	901
Switzerland	171	627	797	191	675	866
Brazil	227	697	924	179	564	744
Denmark	166	433	599	126	407	532
Germany	177	319	496	171	318	488
Czech Republic	65	212	276	56	196	252
Austria	41	216	257	22	223	245
UK	53	138	191	46	130	176
Thailand	43	116	159	40	125	165
India	6	176	183	7	156	163
Russia	75	96	171	56	93	150
USA	25	101	126	22	85	107
China	40	89	129	31	71	102
Philippines	21	46	66	22	69	91
Poland	25	68	94	25	64	89
Hungary	26	68	94	26	62	88
Canada	19	40	59	21	46	67
Other	77	396	473	61	381	442
Group total	**4,292**	**11,354**	**15,647**	**3,974**	**11,297**	**15,271**

Gender distribution on the Board of Directors and in Group Executive Management

	Women, %	
	2021	**2020**
Board of Directors[1]	42	33
Group Executive Management	40	40

[1]Including employee representatives

Salaries, other remuneration and social security contributions

	2021		2020	
Group	**Salaries and remuneration**	**Social security contributions**	**Salaries and remuneration**	**Social security contributions**
Board of Directors and senior executives	69	29	61	26
of which annual variable remuneration	*18*	*4*	*10*	*3*
of which long-term variable remuneration	*6*	*2*	*7*	*2*
of which pension costs[1]	*—*	*11*	*—*	*10*
Other employees	9,268	2,739	8,932	2,688
of which annual variable remuneration	*245*	*61*	*228*	*57*
of which long-term variable remuneration	*10*	*3*	*4*	*1*
of which pension costs[1]	*—*	*1,013*	*—*	*944*
	9,337	**2,767**	**8,993**	**2,715**

[1]Including statutory charges.

Note 6, cont.

Parent	2021 Salaries and remuneration	2021 Social security contributions	2020 Salaries and remuneration	2020 Social security contributions
Board of Directors and President and CEO	24	12	21	11
of which annual variable remuneration	*5*	*2*	*3*	*1*
of which long-term variable remuneration	*4*	*1*	*4*	*1*
of which pension costs[1]	—	*4*	—	*4*
Other employees	130	72	98	53
of which annual variable remuneration	*3*	*1*	*2*	*1*
of which long-term variable remuneration	*10*	*3*	*4*	*1*
of which pension costs[1]	—	*27*	—	*25*
	154	**84**	**119**	**63**

[1)]Including statutory charges.

Annual variable remuneration
Within AFRY's divisions, there are different systems of variable remuneration for employees. Remuneration may be based on the division's performance or be linked directly to individual performance.

Remuneration of the Board of Directors
The Annual General Meeting (AGM) held on 3 June 2021 resolved on remuneration for work on the Board of Directors, including remuneration for committee work, for 2021 of a total of SEK 5,610,000 The Chairman of the Board received SEK 1,750,000 and members of the Board of Directors who are not employees of the Group received SEK 450,000 each.

The fee paid to the Chairman of the Audit Committee was SEK 210,000. Each of the other two members of the Audit Committee received SEK 100,000. The fee paid to the Chairman of the Remuneration Committee was SEK 50,000. Each of the other two members of the Remuneration Committee received SEK 50,000. The fee paid to the Chairman of the Project Committee was SEK 50,000. Each of the other two members of the Project Committee received SEK 50,000.

The remuneration of the Board of Directors is determined annually at the AGM and relates to the period until the next AGM. This means that the remuneration to the Board of Directors was at the rate determined by the AGM in 2020 for the first two quarters and at the rate determined by the AGM in 2021 for the remaining two quarters of the year.

Total remuneration of SEK 60,000 (60,000) was paid to the employee representatives.

There are no agreements on future pension commitments/severance pay for either the Chairman of the Board or other directors.

Director	Fees in SEK, 2021 Board of Directors	Committee	Total
Jonas Abrahamsson	200,000	—	200,000
Gunilla Berg	425,000	137,500	562,500
Henrik Ehrnrooth	425,000	75,000	500,000
Tom Erixon	875,000	50,000	925,000
Carina Håkansson	225,000	50,000	275,000
Neil McArthur	225,000	—	225,000
Anders Narvinger	500,000	50,000	550,000
Salla Pöyry	200,000	—	200,000
Joakim Rubin	425,000	50,000	475,000
Kristina Schauman	425,000	192,500	617,500
Anders Snell	425,000	37,500	462,500
Ulf Södergren	200,000	25,000	225,000
Total	**4,550,000**	**667,500**	**5,217,500**

Director	Fees in SEK, 2020 Board of Directors	Committee	Total
Jonas Abrahamsson	400,000	—	400,000
Gunilla Berg	400,000	100,000	500,000
Henrik Ehrnrooth	400,000	75,000	475,000
Anders Narvinger	1,000,000	75,000	1,075,000
Salla Pöyry	400,000	—	400,000
Joakim Rubin	400,000	50,000	450,000
Kristina Schauman	400,000	175,000	575,000
Anders Snell	400,000	75,000	475,000
Ulf Södergren	400,000	—	400,000
Total	**4,200,000**	**550,000**	**4,750,000**

Guidelines for salary and other remuneration for the President and CEO and other senior executives
Adopted at the 2021 AGM.
The remuneration guidelines include the CEO and Group Executive Management (senior executives). The guidelines shall apply to contracted remuneration and changes made to previously contracted remuneration after the guidelines are adopted by the 2021 AGM. The guidelines do not cover remuneration decided on by the AGM.

The purpose of these remuneration guidelines is to provide a structure for ensuring that remuneration of senior executives is aligned with the company's long-term strategy. For information on the company's business strategy, see www.afry.com/objectives.

The remuneration guidelines are based on the following basic principles:
– Offering competitive remuneration to attract and retain senior executives with the right qualifications. The remuneration levels and the composition of the remuneration components are regularly compared with the levels of comparable companies operating in the same market areas as AFRY to ensure competitive remuneration.
– Offering long-term incentive programmes focused on business strategy, long-term goals and sustainability aspects in finance, the environment and as regards employees.
– Annual evaluation of individual results and goal achievement as compared to the company's financial results.

The remuneration guidelines provide scope for applying financial and non-financial short-term incentive structures (STIs) containing social and environmental aspects to further promote sustainability and compliance with the company's core values: brave, devoted team players. The remuneration guidelines provide management with an incentive to create an innovative and performance-oriented culture, thereby helping to achieve the company's goal of creating sustainable technology and design solutions for future generations.

Note 6, cont.

Decision-making processes for establishing, reviewing and implementing the guidelines

The Board of Directors has established a remuneration committee. The committee's tasks include preparing the Board of Directors' decision on proposed guidelines for the remuneration of senior executives. The Board of Directors shall prepare proposed new guidelines at least every four years and submit the proposal for resolution at the AGM. The guidelines shall apply until new guidelines are adopted by the AGM. The Remuneration Committee shall also follow and evaluate programmes for variable remuneration to company management, the application of guidelines for remuneration of senior executives, and applicable remuneration structures and remuneration levels in the company.

- To avoid conflicts of interest, the Remuneration Committee consists only of members of the Board of Directors who are independent of the company and Group Executive Management.
- AFRY handles remuneration through well-defined procedures and ensures that the President and CEO or other senior executives are not in attendance when remuneration issues are discussed, insofar as they are affected by the issues.

Remuneration

Remuneration of senior executives consists of fixed salary, pension and other benefits, as well as short-term cash incentive programmes (STI) and long-term incentive programmes (LTIP). In addition, the AGM can, regardless of these guidelines, make decisions about long-term incentive programmes.

Fixed salary

The fixed salary is set according to local market practice and in accordance with the levels of the country where the individual is employed. The fixed salary is reviewed annually in connection with the performance evaluation and takes into account the labour market context.

Short-term incentive programmes (STI)

The size of short-term cash incentive programs can vary from 0 percent to 60 percent of annual fixed cash salary. Target components, weighting and target levels are set annually by the Board of Directors to ensure that they support the business strategy. The target components, weighting and target levels may vary from year to year to reflect business priorities and usually balance the Group's financial targets (currently EBITA, EBITA margin, and organic growth in own and upper level unit) and non-financial targets. Details of the target components, weighting and target levels as well as how they support the business strategy are presented in the annual remuneration report.

After the end of the year, the Board of Directors reviews the results and determines to what extent each of the targets has been achieved to determine the final level of payment. As far as financial targets are concerned, the assessment shall be based on the latest financial information published by the company.

Long-term incentive programmes (LTIP)

The Board of Directors considers it important to offer long-term incentive programmes to attract and retain key personnel and to give them the opportunity to share in the company's success. LTIP are also important to ensuring the connection to long-term value for the shareholders. In this way, the remuneration guidelines contribute to the company's long-term value creation and results.

The long-term incentive programmes that can be offered are share-related or share price-related programmes and/or long-term cash-based programmes; all are three-year programmes and there is a cap for all cash-based programmes. Decisions on share-related and share-price-related programmes are made by the AGM either through separate decisions or by indicating the essential conditions of the programme in the remuneration guidelines.

There are three-year cash-based programmes (LTI Cash) for senior executives. The annual outcome of LTI Cash can vary from 0 percent to 50 percent of the annual fixed cash salary. Target components, weighting and target levels are determined annually by the Board to ensure that they support the business strategy and can vary from year to year to reflect business priorities (at present, average EBITA margin average growth).

There should be a long-term cash-based incentive programme for the CEO. The purpose of the incentive programme, which is produced by the Board's remuneration committee, is to link a larger portion of the CEO's remuneration to the company's share's long-term value growth, thus further linking the CEO's interests with the shareholders'. According to the terms and conditions of the programme, the company will pay a cash amount to the CEO based on the share price trend if the CEO is still employed by the company after the measurement period ends. The share price trend (adjusted for intervening consolidation or splitting of shares, preferential rights issues or similar events) shall be above 0 percent at a minimum and 30 percent at a maximum during the measurement period 1 April 2021 – 31 March 2024. Payment will be made on a linear basis if the share price increases between the minimum and maximum level. If the minimum is not reached, no payment will be made and if the maximum is reached, the CEO will receive SEK 7.5 million (gross before tax) corresponding to a total cost to the company of SEK 9.9 million (including social security fees).

Details of each programme and how they support the business strategy are presented in the annual remuneration report. After the end of the programme, the Board of Directors reviews the results and determines to what extent each of the targets has been achieved to determine the final level of payment.

Variable remuneration in exceptional circumstances

Additional variable cash remuneration may be paid in exceptional circumstances, provided that such extraordinary arrangements are made only at the individual level either for the purpose of recruiting or retaining executives, or as remuneration for extraordinary performance over and above the person's ordinary duties. Such remuneration may not exceed an amount equal to 50 percent of the executive's fixed annual cash salary. Decisions on such remuneration shall be made by the Board of Directors as proposed by the remuneration committee.

Pensions

The pension benefits provided reflect relevant market practice and may be adjusted from year to year. Senior executives are covered by pension benefits that reflect market practice in each country of employment, but defined contribution pension plans are preferred. No pension benefits shall be dependent on future employment and may amount to a maximum of 50 percent of the executive's fixed annual cash salary.

Other benefits

Benefits are provided in accordance with reasonable levels in the country where the individual is employed. The benefits can be adjusted from year to year. Other benefits may include company car, health insurance, private accident and life insurance, as well as business travel insurance and liability insurance. Such benefits may amount to a maximum of 10 percent of the executive's fixed annual cash salary.

Regarding employment conditions that are governed by rules other than Swedish, in so far as pension benefits and other benefits are concerned, appropriate adjustments may be made to comply with such compulsory rules or standard local practice, whereby the general purpose of these guidelines should be met as far as possible.

Additional benefits and remuneration may be offered in certain circumstances, such as relocation in accordance with the company's policy for international transfers.

The CEO is entitled to participate in programmes that can be offered to other employees at any given time, such as anniversary gifts etc. Further information on the benefits provided during a given year is available in the annual remuneration report.

Termination and severance pay

The notice period for the CEO is 12 months when notice is given by the company and 6 months if notice is given by the CEO. If the company terminates the CEO, the CEO shall be offered severance pay corresponding to up to 12 months' salary. For other senior executives, the notice period is never longer than for the CEO. Regarding employment

Note 6, cont.

conditions that are governed by rules other than Swedish, appropriate adjustments may be made to comply with such compulsory rules or standard local practice, whereby the general purpose of these guidelines should be met as far as possible.

The Board of Directors is entitled to decide whether payment should be tied to ongoing incentive programmes for individuals who depart the company and how payment should be handled in the event of leave. Any assessments will be presented in the annual remuneration report.

Salary and terms of employment for employees
In preparing the Board of Directors' proposal for these remuneration guidelines, salaries and terms of employment for the company's employees have been considered by the remuneration committee using information on employees' total remuneration, the components of the remuneration, as well as the rate of increase and increase over time of remuneration and have been part of the remuneration committee's and the Board of Directors' supporting information for evaluating the reasonableness of the guidelines and their limitations. The development of the distance between remuneration of senior executives and remuneration of other employees will be presented in the remuneration report.

Right to recover remuneration and waive the guidelines
The Board of Directors is entitled to withhold or recover payments within the framework of short- and long-term incentive programmes due to exceptional circumstances or if false information is given regarding financial results. That type of decision is explained (how the circumstances are defined and how actions are taken) in the annual remuneration report.

The Board of Directors may decide to temporarily deviate from the guidelines, in whole or in part, if there are special reasons for this in an individual case and a departure is necessary to meet the company's long-term interests, including its sustainability, or to ensure the company's financial viability. As stated above, it is part of the Remuneration Committee's tasks to prepare the Board of Directors' decision on remuneration issues, which includes decisions on deviations from the guidelines.

Cost of remuneration for the President and CEO and other members of Group Executive Management (GEM)

	2021		
Director	**CEO**	**Other members of GEM**	**Total**
Salary including daily allowance	10	29	39
Provisions for annual variable remuneration accrued during current year	5	13	18
Provisions for long-term variable remuneration	4	3	6
Pension costs[1]	4	7	11
Other payroll overhead	6	10	16
Total	**29**	**62**	**91**

	2020		
Director	**CEO**	**Other members of GEM**	**Total**
Salary including daily allowance	10	30	39
Provisions for annual variable remuneration earned during the current year	3	7	10
Provisions for long-term variable remuneration	4	3	7
Pension costs[1]	4	7	11
Other social security contributions	5	9	15
Total	**25**	**56**	**82**

[1] Including statutory charges.

President and CEO
The fixed basic salary of the President and CEO was SEK 9.7 million (9.5). There is also a company car benefit. Annual variable remuneration is based on the Group's results, as well as several pre-set targets, and may amount to a maximum of 60 percent of fixed basic salary. There is also a special incentive program for the President and CEO that is tied to the company's growth target up to 2024. The amount of remuneration depends on the performance of the share price between 1 April 2021 and 31 March 2024. The President and CEO also participates in AFRY's long-term incentive programmes. For further information, see the remuneration report at www.afry.com

The President and CEO's retirement benefit plan is defined-contribution, and an annual provision equivalent to 40 percent of the year's basic salary is made for this.

Full salary continues to be payable during the period of notice. A duty to work during the period of notice may apply for no more than one year.

Group Executive Management, excluding the President and CEO
Group Executive Management consists of 10 (9) individuals excluding the President and CEO.

The remuneration of Group Executive Management is based on the 'Guidelines for the remuneration of senior executives' as set out above.

AFRY has no outstanding pension obligations to present and former directors or any former President and CEO. Full salary continues to be payable during the period of notice.

Ongoing and terminated long-term variable remuneration
Staff convertible
The 2017 convertible programme ended in 2021.

In 2017, AFRY AB issued convertible instruments to key staff members totalling SEK 180 million. The loan runs with an annual interest of Stibor 180 and a margin of 1.19 with effect from 17 August 2017. Conversion may be called during the period from 15 June 2020 to 15 March 2021. The conversion price is SEK 196.20 (converted from previous conversion price SEK 221.90). A commercial interest rate for the corresponding liability without conversion right has been estimated at Stibor 180 and a margin of 3.65.

In 2018, AFRY AB issued convertible instruments to key staff members totalling SEK 189 million. The loan runs with an annual interest of Stibor 180 and a margin of 0.92 with effect from 17 August 2018. Conversion may be called during the period from 15 June 2021 to 15 March 2022. The conversion price is SEK 198.60 (converted from previous conversion price SEK 224.60. A commercial interest rate for the corresponding liability without conversion right has been estimated at Stibor 180 and a margin of 3.27.

In 2019, AFRY AB issued convertible instruments to key staff members totalling SEK 171 million. The loan runs with an annual interest of Stibor 180 and a margin of 1.60 with effect from 17 August 2019. Conversion may be called during the period from 15 June 2022 to 15 March 2023. The conversion price is SEK 232.10. A commercial interest rate for the corresponding liability without conversion right has been estimated at Stibor 180 and a margin of 3.64.

In 2020, AFRY AB issued convertibles directed to key staff members totalling SEK 149 million. The loan runs with an annual interest of Stibor 180 and a margin of 2.90 with effect from 17 August 2020. Conversion may be called during the period from 15 July 2023 to 15 March 2024. The conversion price is SEK 212.20. A commercial interest rate for the corresponding liability without conversion right has been estimated at Stibor 180 and a margin of 5.0.

The convertible programmes are not conditional on continued employment during the terms of the convertible programmes.

Note 7

Other operating expenses

Group	2021	2020
Exchange losses	-1	-24
Capital loss on divestment of non-current assets	0	0
Other	0	0
	-1	**-24**

Other operating expenses of SEK 317 million (112) in the parent relate primarily to rental charges.

Note 8

Acquisition-related items

Group	2021	2020
Amortisation and impairment of intangible non-current assets	-159	-184
Impairment of properties	-17	—
Revaluation of contingent considerations	36	62
Divestment of operations	0	-6
	-139	**-128**

To improve analysis between periods, acquisition-related items are reported separately here.

Note 9

Items affecting comparability

Group	2021	2020
Restructuring costs, Energy Division	—	-17
Restructuring costs, Industrial & Digital Solutions Division	—	-35
Restructuring costs, Infrastructure Division	-10	—
Cost of customisation/configuration of cloud-based IT systems	-40	-74
	-50	**-126**

To improve analysis between periods, items affecting comparability are reported separately here.

Note 10

Net financial items

Group	2021	2020
Interest income[1]	12	13
Other financial income	6	5
Exchange gains	224	277
Financial income	**242**	**295**
Interest expense[1]	-71	-98
Interest expense, discounting of contingent considerations	-5	-9
Interest expense, IFRS 16	-46	-55
Other financial expenses	-27	-27
Exchange losses	-222	-292
Financial expenses	**-371**	**-480**
Net financial items	**-129**	**-185**

Parent	2021	2020
Dividends from Group companies	389	517
Impairment of shares in Group companies	-41	-77
Impairment of receivables/liabilities in Group companies	—	-4
Capital gain/loss on intra-group sales of subsidiaries	—	-31
Profit from participations in Group companies	**348**	**404**
Interest income, Group companies	140	135
Interest income[1]	1	3
Exchange gains	186	231
Interest income and similar profit/loss items	**328**	**370**
Interest expense, Group companies	-14	-30
Interest expense, discounting of contingent considerations	0	-2
Interest expense[1]	-96	-107
Exchange losses	-163	-191
Interest expense and similar profit/loss items	**-273**	**-330**
Net financial items	**403**	**444**

[1] Includes interest on pension provisions.

Note 11

Appropriations

Parent	2021	2020
Difference between recognised depreciation and depreciation according to plan	19	-38
Group contribution received	500	–
Transfer to tax allocation reserve	0	–
	519	**-38**

Note 12

Earnings per share and number of shares

	Basic earnings per share		Diluted earnings per share	
SEK	2021	2020	2021	2020
Earnings per share	9.97	8.29	9.97	8.29

The calculation of the numerators and denominators used in the above calculations of earnings per share is specified below.

Basic earnings per share
The calculation of earnings per share for 2021 is based on the profit for the year attributable to the parent's ordinary shareholders, amounting to SEK 1,129 million (933) and on a weighted average number of outstanding shares in 2021 amounting to 113,227,458 (112,544,514).

Diluted earnings per share
In calculating diluted earnings per share, the weighted number of outstanding ordinary shares was adjusted for the dilution effect of all outstanding potential ordinary shares. In calculating diluted earnings per share, outstanding ordinary shares have been adjusted for a potential dilution effect for shares in outstanding staff convertible programmes. Outstanding convertibles were not diluted in 2021 but may be in the future. See Note 6 for more information on the convertible programmes.

Profit attributable to the parent's diluted ordinary shares

Parent	2021	2020
Profit attributable to the parent's ordinary shares	1,129	933
Reversal of interest expense for staff convertibles	–	–
	1,129	**933**

Weighted average number of diluted ordinary shares outstanding

Parent	2021	2020
Weighted average number of basic ordinary shares during the year	113,227,458	112,544,514
Effect of outstanding share plans	–	–
Effect of outstanding staff convertibles	–	–
Weighted average number of diluted ordinary shares during the year	**113,227,458**	**112,544,514**

Total number of shares

	2020				
	Class A shares	Class B shares	Total number of shares	Of which own shares	Total number of outstanding shares
Opening balance 2020	4,290,336	107,883,792	112,174,128	–	112,174,128
Conversion to shares (convertible programme)	–	849,916	849,916	–	849,916
Closing balance 2020	**4,290,336**	**108,733,708**	**113,024,044**	**–**	**113,024,044**

	2021				
	Class A shares	Class B shares	Total number of shares	Of which own shares	Total number of outstanding shares
Opening balance 2021	4,290,336	108,733,708	113,024,044	–	113,024,044
Share buy-backs, own shares	–	–	–	700,681	-700,681
Cancellation	–	-700,681	-700,681	-700,681	–
Conversion to shares (convertible programme)	–	889,108	889,108	–	889,108
Closing balance 2021	**4,290,336**	**108,922,135**	**113,212,471**	**–**	**113,212,471**

The total number of shares is divided into Class A shares (10 votes per share) and Class B shares (1 vote per share).
As per the articles of association, the maximum permitted number of shares is two hundred eighty million (280,000,000).

Note 13

Financial assets and liabilities

Responsibility for the Group's financial transactions and risks is held centrally by the parent's Treasury Department, which works in compliance with the policy established by the Board of Directors. The finance policy is intended to reduce financial risks at a cost that is reasonable for consolidated equity. The aim is to ensure cost-effective financing while minimising the negative effects of market fluctuations on consolidated profit/loss. The Treasury Department identifies, evaluates and hedges financial risks in close collaboration with the Group's operating units.

The Group is exposed to different kinds of financial risk through its operations, including exchange rate risk, interest rate risk, credit risk, financing risk and liquidity risk.

Exchange rate risk

Exchange rate risk is defined as the risk that changes in exchange rates have a negative impact on the consolidated income statement, balance sheet and cash flow. Exchange rate risk can be split into translation and transaction exposures. Transaction exposure is the net of operating and financial inflows and outflows in foreign currencies. Translation exposure consists of the net assets and profit/loss of foreign subsidiaries in foreign currency.

Translation exposure

Translation exposure consists of the net assets and profit/loss of foreign subsidiaries in foreign currency. In line with current policy, the Group does not hedge translation exposure. In connection with major acquisitions, the translation exposure of net assets in foreign currency may be hedged by raising loans in the same currency as corresponding net assets. At the end of 2021, the Group's borrowing totalled SEK 2,363 million, denominated in EUR.

Transaction exposure

Transaction exposure is the net of operating and financial inflows and outflows in foreign currencies. Transaction exposure is relatively limited in the Group compared with net sales, as most sales and expenses are invoiced in local currencies. Under current policy, payment flows in foreign currencies are hedged using derivatives when the future payment flow is anticipated to exceed a value of EUR 100,000.

The Group's largest operational transaction exposure involves the currency pairs USD/CHF and EUR/SEK. An unhedged currency fluctuation of 10 percent in these currencies would affect the Group's operating profit/loss by approximately SEK 17 million and SEK 4 million respectively on an annual basis. An unhedged currency fluctuation of 10 percent in these currencies would affect the Group's operating profit/loss by SEK 28 million on an annual basis.

Interest rate risk

Interest rate risk is the risk that changes in interest rates may have a negative impact on the Group's net interest income/expense and cash flow.

The Group's exposure to interest rate risk relates chiefly to outstanding external loans. Under the current policy, the Group raises loans both at fixed and variable interest. If necessary, the Group can use interest rate swaps to achieve the desired average duration. A change of one percentage point in market rates in the next twelve months would have an effect of SEK 23 million on the Group's interest expense. At the end of the year, loans and credit facilities consisted of bank loans, bonds, commercial paper and employee convertibles at both fixed and variable interest rates. Interest swaps are used to convert variable interest rates to fixed interest rates. The Group's cash and cash equivalents are kept in central cash pools or in bank accounts in local banks. There are no other significant interest-bearing assets.

Credit risk

The Group's commercial and financial transactions give rise to credit risks in respect of the Group's counterparties. Credit risk or counterparty risk is the risk of loss if the counterparty does not fulfil its obligations. The credit risk consists of outstanding accounts receivable and rendered but unbilled consulting assignments.

This risk is limited through the Group's credit policy. All new clients are vetted for creditworthiness and project services are invoiced on a pay-as-you-go basis to minimise the cumulative credit risk. In addition, prepayments are applied to certain major projects to reduce credit risk.

The Group's ten largest clients, which account for 16 percent of Group sales, are all large multinational companies or publicly owned institutions and companies. The remaining 84 percent of net sales is distributed over a large number of clients. Counterparties to derivative contracts and cash transactions are limited to financial institutions with a high credit rating.

The situation has been monitored to ensure that possible consequences of the Covid-19 pandemic have been correctly identified. No significant provisions were made during the year as a direct consequence of the pandemic.

Financing and liquidity risks

The financing risk faced by the Group is the risk of not being able to raise new loans or refinance existing ones on acceptable terms. The Group is also exposed to liquidity risk, which is defined as the risk that it will not be able to meet its immediate payment obligations. The Group's policy is that the net debt to EBITDA ratio over time should not exceed 2.5. For the Group, prudent management of financing risk also means having adequate cash and cash equivalents and committed credit lines. There is a procedure in place to ensure the availability of appropriate lines of credit whenever necessary. In accordance with the current policy, the Group is to have cash and cash equivalents and unused credit facilities that together correspond to at least six percent of annual sales.

Closing day rate	2021	2020
CHF	9.93	9.25
DKK	1.38	1.35
EUR	10.25	10.04
NOK	1.03	0.95

Note 13, cont.

	2021										
	Carrying amount							Fair value			
Group	Fair value hedging instrument	Mandatorily measured at fair value through profit or loss	Fair value through other comprehensive income – debt instruments	Fair value through other comprehensive income – equity instruments	Financial assets measured at amortised cost	Other liabilities measured at amortised cost	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value											
Interest rate swaps for hedging	44						44		44		44
Forward exchange contracts for hedging	8	22					30		30		30
Total	**51**	**22**	**—**	**—**	**—**	**—**	**74**	**—**	**74**	**—**	**74**
Financial assets not recognised at fair value											
Accounts receivable					4,206		4,206				
Revenue generated but not invoiced					1,927		1,927				
Non-current receivables					17		17				
Cash and cash equivalents					2,112		2,112				
Total	**—**	**—**	**—**	**—**	**8,282**	**—**	**8,282**	**—**	**—**	**—**	**—**
Financial liabilities measured at fair value											
Interest rate swaps for hedging	2						2		2		2
Forward exchange contracts for hedging	2	40					42		42		42
Contingent considerations		225					225			225	225
Total	**4**	**265**	**—**	**—**	**—**	**—**	**270**	**—**	**44**	**225**	**270**
Financial liabilities not recognised at fair value											
Bank loans						1,012	1,012				
Bond loan						3,500	3,500	3,523			3,523
Commercial paper						600	600				
Staff convertibles						376	376				
Lease liabilities						2,162	2,162				
Work invoiced but not yet carried out						1,914	1,914				
Accounts payable						1,097	1,097				
Accrued expenses, subcontractors						208	208				
Total	**—**	**—**	**—**	**—**	**—**	**10,868**	**10,868**	**3,523**	**—**	**—**	**3,523**

Note 13, cont.

Group	2020										
	Carrying amount							Fair value			
	Fair value hedging instrument	Mandatori-ly measured at fair value through profit or loss	Fair value through other comprehensive income – debt instruments	Fair value through other comprehensive income – equity instruments	Financial assets measured at amortised cost	Other liabilities measured at amor-tised cost	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value											
Interest rate swaps for hedging	45						45		45		45
Forward exchange contracts for hedging	5	38					44		44		44
Shares		0					0	0			0
Total	**50**	**39**	**—**	**—**	**—**	**—**	**88**	**0**	**88**	**—**	**88**
Financial assets not recognised at fair value											
Accounts receivable					3,543		3,543				
Revenue generated but not invoiced					1,493		1,493				
Non-current receivables					19		19				
Cash and cash equivalents					1,930		1,930				
Total	**—**	**—**	**—**	**—**	**6,984**	**—**	**6,984**	**—**	**—**	**—**	**—**
Financial liabilities measured at fair value											
Interest rate swaps for hedging	8						8		8		8
Forward exchange contracts for hedging	6	60					66		66		66
Contingent considerations		269					269			269	269
Total	**14**	**329**	**—**	**—**	**—**	**—**	**342**	**—**	**73**	**269**	**342**
Financial liabilities not recognised at fair value											
Bank loans						1,314	1,314				
Bonds						2,500	2,500	2,482			2,482
Staff convertibles						549	549				
Lease liabilities						2,437	2,437				
Work invoiced but not yet carried out						1,636	1,636				
Accounts payable						842	842				
Accrued expenses, subcontractors						170	170				
Total	**—**	**—**	**—**	**—**	**—**	**9,449**	**9,449**	**2,482**	**—**	**—**	**2,482**

Note 13, cont.

	2021										
	Carrying amount							Fair value			
Parent	Fair value hedging instrument	Mandatorily measured at fair value through profit or loss	Fair value through other comprehensive income – debt instruments	Fair value through other comprehensive income – equity instruments	Financial assets measured at amortised cost	Other liabilities measured at amortised cost	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value											
Interest rate swaps for hedging	44						44		44		44
Forward exchange contracts for hedging	8	18					25		25		25
Total	**51**	**18**	**—**	**—**	**—**	**—**	**69**	**—**	**69**	**—**	**69**
Financial assets not recognised at fair value											
Non-current receivables					13		13				
Accounts receivable					223		223				
Cash and cash equivalents					1,155		1,155				
Total	**—**	**—**	**—**	**—**	**1,392**	**—**	**1,392**	**—**	**—**	**—**	**—**
Financial liabilities measured at fair value											
Interest rate swaps for hedging	2						2		2		2
Forward exchange contracts for hedging	2	39					40		40		40
Contingent consideration		20					20			20	20
Total	**4**	**58**	**—**	**—**	**—**	**—**	**63**	**—**	**43**	**20**	**63**
Financial liabilities not recognised at fair value											
Bank loans						1,012	1,012				
Bond loan						3,500	3,500	3,523			3,523
Commercial paper						600	600				
Staff convertibles						376	376				
Accounts payable						229	229				
Other current liabilities						753	753				
Total	**—**	**—**	**—**	**—**		**6,470**	**6,470**	**3,523**	**—**	**—**	**3,523**

Note 13, cont.

Parent	2020										
	Carrying amount							Fair value			
	Fair value hedging instrument	Mandatorily measured at fair value through profit or loss	Fair value through other comprehensive income – debt instruments	Fair value through other comprehensive income – equity instruments	Financial assets measured at amortised cost	Other liabilities measured at amortised cost	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value											
Interest rate swaps for hedging	45						45		45		45
Forward exchange contracts for hedging	0	30					30		30		30
Shares		0					0		0		0
Total	**45**	**31**	**—**	**—**	**—**	**—**	**75**	**—**	**75**	**—**	**75**
Financial assets not recognised at fair value											
Non-current receivables					17		17				
Accounts receivable					267		267				
Cash and cash equivalents					889		889				
Total	**—**	**—**	**—**	**—**	**1,173**	**—**	**1,173**	**—**	**—**	**—**	**—**
Financial liabilities measured at fair value											
Interest rate swaps for hedging	8						8		8		8
Forward exchange contracts for hedging	5	48					53		53		53
Contingent consideration		47					47			47	47
Total	**13**	**94**	**—**	**—**	**—**	**—**	**107**	**—**	**61**	**47**	**107**
Financial liabilities not recognised at fair value											
Bank loans						1,356	1,356				
Bonds						2,500	2,500	2,482			2,482
Staff convertibles						549	549				
Accounts payable						213	213				
Other current liabilities						124	124				
Total	**—**	**—**	**—**	**—**	**—**	**4,741**	**4,741**	**2,482**	**—**	**—**	**2,482**

Measurement of fair value
Fair value corresponds with carrying amount, except for bonds. The following provides a summary of the main methods and assumptions used to determine the fair value of the Group's financial instruments.

Derivative instruments
Forward contracts and interest rate swaps are measured at market value in accordance with level 2, i.e. fair value determined using a measurement method based on directly observable market inputs, either direct (such as price) or indirect (derived from price), and which are not included in level 1 (fair value determined based on quoted prices for the same instruments on active markets).

Non-current and current liabilities to credit institutions
Non-current and current liabilities to credit institutions are carried at amortised cost in the Group and parent.

Commercial paper
Outstanding commercial papers are classified as long-term loans since the certificate programme is secured by underlying credit facilities with a maturity exceeding 12 months.

Investments in commercial paper
Investments in commercial paper with a maturity of less than three months are recognised as cash and cash equivalents at cost.

Bond loan
The bonds are listed on Nasdaq Stockholm. The market value is based on the market price at the end of the reporting period.

Contingent consideration
Contingent considerations are measured at fair value in accordance with level 3. The calculation of contingent consideration is dependent on parameters in the relevant agreements. These parameters are chiefly linked to expected EBIT for the acquired companies over the next two to three years.

An increase in expected EBIT means a higher liability for the contingent consideration. Normally, there is a cap on each contingent consideration which limits how large the liability can become (see Note 3).

Maximum payout for the contingent considerations totalled SEK 228 million (336) at the end of the reporting period.

Shares
Holdings of listed shares are carried and valued at market value in accordance with level 1, i.e. fair value based on quoted prices for the same instruments on active markets.

Due date structure, financial liabilities

Group	2021			
	<1 year	1–2 years	3–5 years	>5 years
Bank loans, SEK	—	500	—	—
Bank loans, EUR	—	—	—	512
Bond loan	1,000	500	2,000	—
Commercial paper	—	—	600	—
Staff convertible	66	171	149	—
Lease liabilities	423	468	808	462
Contingent considerations	48	80	96	—
Accounts payable	1,097	—	—	—
Accrued expenses, subcontractors	208	—	—	—
Interest	70	57	106	16

Note 13, cont.

Group	2020 <1 year	1–2 years	3–5 years	>5 years
Bank loans, SEK	1	—	500	—
Bank loans, EUR	814	—	—	—
Bonds	—	1,000	1,500	—
Staff convertible	43	189	320	—
Lease liabilities	567	700	729	441
Contingent considerations	198	75	—	—
Accounts payable	842	—	—	—
Accrued expenses, subcontractors	170	—	—	—
Interest	60	45	49	—

Accounts receivable

	Group		Parent	
Age analysis of accounts receivable that are due but not impaired	**2021**	**2020**	**2021**	**2020**
<30 days	400	243		
30–90 days	123	124		
91–180 days	89	46		
>180 days	623	534		
Total	**1,235**	**947**	**—**	**—**

	Group		Parent	
Provision for doubtful receivables	**2021**	**2020**	**2021**	**2020**
Provision at start of year	151	173		
Provision for anticipated losses	33	53		
Established losses	-9	-19		
Recovered losses	-35	-43		
Acquired businesses	-9	-4		
Exchange differences	-5	-9		
Provision at end of year	**126**	**151**	**—**	**—**

Credit quality

Client credit risk is handled in each subsidiary in accordance with the centrally established credit policy. Outstanding accounts receivable are monitored and reported regularly within each company and within the Group. Provisions are made after individual assessment. The assessment of the amount which is expected to be received is based on careful analysis of the clients' ability to pay and the markets they operate in. The Group's 10 largest clients, which account for a total of 16 percent of Group net sales, are all large multinational companies or publicly owned institutions and enterprises.

Loans and credit facilities

	Group		Parent	
	2021	**2020**	**2021**	**2020**
Non-current liabilities				
Bank loans	1,012	501	1,012	500
Staff convertible	311	489	311	489
Bond loan	2,500	2,500	2,500	2,500
Commercial paper	600	—	600	—
Lease liabilities	1,738	1,870	803	—
	6,161	**5,361**	**5,226**	**3,489**
Current liabilities				
Bank loans	0	813	—	813
Staff convertible	65	59	65	59
Bond loan	1,000	—	1,000	—
Lease liabilities	423	567	180	239
	1,488	**1,439**	**1,245**	**1,112**

AFRY has a Swedish programme for commercial paper that was established in 2017. In 2019, the programme was expanded from SEK 1,000 million to SEK 2,000 million. The programme enables the issuance of commercial paper with maturities of up to 12 months. As at 31 December 2021, AFRY had issued commercial paper in the amount of SEK 600 million (0).

AFRY has a Swedish medium term note (MTN) programme that was established in May 2018. In 2019, the programme was expanded from SEK 3,000 million to SEK 5,000 million. At 31 December 2021, AFRY had outstanding bonds totalling SEK 3,500 million (2,500).

During the year, an earlier bank loan of EUR 81 million that fell due in December 2021 was repaid through an SEK 1,000 million bond issued by the company within its MTN programme and a new seven-year loan of EUR 50 million was arranged.

AFRY holds two syndicated revolving credit agreements, Revolving Facility Agreement 2014 (RCF 2020) and Revolving Credit Facility Agreement 2018, amounting to SEK 1,000 million each at the beginning of 2020. In March 2020, the terms of both facility agreements were renewed and the amount of the back-up facilities (RCF 2020) was increased to SEK 1,500 million. In November 2020, the maturity of the credit facility (RCF 2018) for SEK 1,000 million was extended by two years from 2021 to 2023. In November 2021, the maturity of the credit facility (RCF 2020) for SEK 1,500 million was extended by one additional year from 2023 to 2024. The credit facilities are provided in equal parts by Handelsbanken and SEB. At 31 December 2021, AFRY had utilised SEK 0 (0) million.

AFRY has three staff convertible loans totalling SEK 386 million.

AFRY has two bank loans, of which EUR 500 million is due for payment in March 2023 and SEK 50 million is due in November 2028. The bank loan of SEK 500 million which is due for payment in 2023 was issued in equal parts by Handelsbanken and SEB. The loan of EUR 50 million which is due for payment in 2028 was issued by Svensk Exportkredit (the Swedish Export Credit Corporation).

The agreements governing the Group's bank loans contain certain financial obligations that must be fulfilled to retain the loans and avoid increased borrowing costs. The most important obligation is net debt/operating profit (EBITDA). During the year, all financial obligations were met.

The Group's unused credit facilities amounted to SEK 2,451 million (3,050).

Conditions and amortisation periods

Group	2021 Nom. amount in original currency	Carrying amount	Year due	Fair value
Non-current liabilities				
Bonds, SEK	500	500	2023	502
Bonds, SEK	1,000	1,000	2024	1,015
Bonds, SEK	1,000	1,000	2026	1,003
SEK, variable interest rate	500	500	2023	500
EUR, variable interest rate	50	512	2028	512
Commercial paper	600	600	2022	600
		4,112		**4,132**
Current liabilities				
Bonds, SEK	1,000	1,000	2022	1,003
Other	0	0	2022	0
		1,000		**1,003**

Note 13, cont.

	2020			
Group	Nom. amount in original currency	Carrying amount	Year due	Fair value
Non-current liabilities				
Bonds, SEK	1,000	1,000	2022	996
Bonds, SEK	500	500	2023	493
Bonds, SEK	1,000	1,000	2024	993
SEK, variable interest rate	500	500	2023	500
		3,000		**2,982**
Current liabilities				
EUR, variable interest rate	81	814	2021	814
Other	1	1	2021	1
		815		**815**

Contingent considerations (level 3)

Change, contingent considerations	2021	2020
Opening balance	**269**	**358**
Estimated liabilities, acquisitions	185	28
Payments	-204	-62
Changes in value recognised in other operating income – other	-35	-62
Adjustment of preliminary acquisition analysis	-1	-3
Discounting	5	9
Exchange differences	6	1
Closing balance	**225**	**269**

Note 14

Intangible assets

	Goodwill		Intangible assets related to acquired businesses		Other intangible assets		Total	
Group	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Cost	12,845	11,494	1,953	1,856	352	326	15,150	13,676
Accumulated amortisation	—	—	-781	-609	-293	-268	-1,074	-877
Accumulated impairment	-32	-34	—	—	—	—	-32	-34
Carrying amount	**12,814**	**11,460**	**1,172**	**1,247**	**60**	**58**	**14,045**	**12,764**
Opening carrying amount	11,460	11,768	1,247	1,468	58	120	12,764	13,355
Effect of changed accounting policy, see Note 1	—	—	—	—	—	-148	—	-148
Purchases	—	—	—	—	27	101	27	101
Divestments and disposals	—	—	—	—	-1	27	-1	27
Acquired businesses	1,059	65	62	3	10	1	1,131	68
Adjustment of acquisition analysis	-1	-3	—	—	—	—	-1	-3
Amortisation for the period	—	—	-159	-184	-27	-41	-186	-224
Exchange differences	298	-369	23	-41	-8	-3	312	-412
Closing carrying amount	**12,814**	**11,460**	**1,172**	**1,247**	**60**	**58**	**14,045**	**12,764**

Group

The Group's intangible assets arise primarily from acquired businesses. These acquired intangible assets consist largely of goodwill, as it is mainly human capital in the form of employee skills that constitutes the value of consulting companies. Other intangible assets identified in connection with acquisitions include client relationships. For information on amortisation, see the accounting policies in Note 1.

Goodwill has been allocated to cash-generating units comprising the Group's segment.

Impairment tests on goodwill are carried out annually in the fourth quarter, or when there are indications that an impairment loss has arisen, by the expected future cash flow being discounted with a weighted average cost of capital per cash-generating unit. The present value of cash flows, the value in use, is compared with the carrying amount including goodwill and other intangible assets.

Forecasts used in respect of future cash flows are based on the forecast approved by Group Executive Management for the next year supplemented by an individual assessment of a further four years. From that point on, the calculation is based on an annual growth rate of two percent.

The forecasts are based on previous experience, internal judgements and external sources of information. The most important variable is operating margin, which is affected by hourly rate, capacity utilisation, payroll expenses and number of employees. No reasonable changes in the assumptions for these variables would lead to impairment.

Note 14, cont.

The weighted average cost of capital is based on assumptions about average interest rates on 10-year government bonds, as well as company-specific risk factors and beta values. The forecast cash flows have been discounted to present value.

	Discount rate before tax, %	
Cash-generating unit	**2021**	**2020**
Infrastructure Division	9.0	9.0
Industrial & Digital Solutions Division	9.0	9.0
Process Industries Division	9.0	9.0
Energy Division	9.0	9.0
Management Consulting Division	9.0	9.0

	Goodwill	
Cash-generating unit	**2021**	**2020**
Infrastructure Division	3,761	3,335
Industrial & Digital Solutions Division	3,744	3,321
Process Industries Division	1,647	1,168
Energy Division	2,522	2,838
Management Consulting Division	1,139	798
Total	**12,814**	**11,460**

	Intangible assets	
Parent	**2021**	**2020**
Cost	14	19
Accumulated amortisation	-4	-6
Carrying amount	**9**	**13**
Opening carrying amount	13	61
Effect of changed accounting policy, see Note 1	—	-148
Purchases	2	110
Sales and disposals	—	-1
Amortisation for the period	-5	-10
Closing carrying amount	**9**	**13**

Note 15

Property, plant and equipment

	Equipment, tools, fixtures and fittings		Land and buildings		Total	
Group	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Cost	1,256	1,211	251	282	1,507	1,493
Accumulated depreciation	-925	-872	-88	-83	-1,012	-955
Carrying amount	**331**	**340**	**164**	**199**	**495**	**539**
Opening carrying amount	340	373	199	215	539	587
Purchases	87	81	0	1	87	82
Sales and disposals	-5	-2	-43	-2	-48	-4
Acquired businesses	4	-1	—	—	4	-1
Depreciation for the period	-100	-103	-3	-6	-104	-109
Exchange differences	6	-8	11	-8	17	-17
Closing carrying amount	**331**	**340**	**164**	**199**	**495**	**539**

	Equipment, tools, fixtures and fittings	
Parent	**2021**	**2020**
Cost	312	299
Accumulated depreciation	-188	-157
Carrying amount	**125**	**142**
Opening carrying amount	142	155
Purchases	13	19
Depreciation for the period	-31	-31
Closing carrying amount	**125**	**142**

Note 16

Leases

Right-of-use asset	Premises	Vehicle	Other	Total
Depreciation/amortisation during the year	-494	-68	-2	-566
Closing balance 31 December 2021	1,885	79	2	1,967

The cost for newly acquired rights of use during the year, as well as additional amounts when reconsidering lease liabilities due to changed payments resulting from the change in the lease term are included in this amount.

Lease liabilities	2021	2020
Non-current	1,738	1,870
Current	423	567
	2,162	**2,437**

Amount recognised in profit or loss	2021	2020
Depreciation of right-of-use assets	566	520
Interest on lease liabilities	46	55
Variable lease payments not included in the valuation of the lease liability	18	20
Income from onward leasing of right-of-use assets	11	5
Cost of short-term leases	32	25
Costs for low-value leases, not short-term leases with low value	89	44

Amount recognised in the statement of cash flows	2021	2020
Total cash outflows attributable to leases	518	499

Note 17

Participations in associates and joint arrangements

Group	2021	2020
Carrying amount at start of year	21	22
Participations in associates/joint ventures, profit after tax	5	4
Dividend	-4	-4
Exchange differences	2	—
Carrying amount at end of year	**24**	**21**

During the year, 27 joint arrangements expired.

Note 18

Prepaid expenses and accrued income

	Group		Parent	
	2021	2020	2021	2020
Rent	95	112	75	70
Support and maintenance agreements	92	82	79	61
Insurance	11	8	6	4
Other	110	106	2	1
	308	**308**	**163**	**136**

Note 19

Equity

Group

Holders of ordinary shares are entitled to dividends as approved annually by the Annual General Meeting. All shares have the same rights to the company's residual net assets. The quota value of the shares is SEK 2.50 (2.50).

The proposed dividend has not been recognised in these financial statements.

Dividends	2022[1]	2021	2020
Dividend per share, SEK	5.50	5.00	0.00
Number of shares outstanding	113,212,471	113,110,174	112,174,128
Dividend	**623**	**566**	**—**

1) Proposed dividend.

Reserves	Translation reserve	Hedge reserve	Fair value reserve	Total reserves
Opening balance, 2020	**298**	**5**	**20**	**322**
Translation difference for the year	-501	—	—	-501
Cash flow hedges	—	-1	—	-1
Currency swap	—	34	—	34
Bank loans	—	46	—	46
Interest rate swap	—	-8	—	-8
Tax	—	-6	—	-6
Closing balance, 2020	**-203**	**71**	**20**	**-113**
Opening balance, 2021	**-203**	**71**	**20**	**-113**
Translation difference for the year	357	—	—	357
Cash flow hedges	—	16	—	16
Currency swap	—	-12	—	-12
Bank loans	—	-17	—	-17
Interest rate swap	—	2	—	2
Tax	—	0	—	0
Closing balance, 2021	**154**	**60**	**20**	**234**

Note 19, cont.

Capital management
Capital is defined as total equity, which corresponds to equity in the consolidated balance sheet. AFRY's objective is for the Group to maintain a net debt position over time.

Net debt is measured in relation to EBITDA (net debt/EBITDA) and the financial target is 2.5, excluding IFRS 16 Leases.

At 31 December 2021, net debt/EBITDA excluding IFRS 16 Leases was 2.0 (1.7).

At 31 December 2021, net debt/EBITDA including IFRS 16 Leases was 2.4 (2.4).

There are external requirements in the agreements governing the bank loans. Additional information on these is given in Note 13.

There were no changes in capital requirements during the year.

Proposed appropriation of profits
Non-restricted profits of SEK 9,062,995,694 are at the disposal of the Annual General Meeting. The Board of Directors proposes that these profits be appropriated as follows:

A dividend of SEK 5.50 per share paid to the shareholders	622,668,591
To be carried forward	8,440,327,103
Total	**9,062,995,694**

Note 20

Pension obligations

Of the Group's total number of employees at the end of the year, around 10 percent have pensions that are recognised as defined benefit. Other employees within AFRY have pensions that are recognised as defined contribution.

Defined benefit plans exist in Sweden, Switzerland, Finland, Germany, Austria, Norway, the Philippines, Indonesia and Italy. The plans in Finland, Italy, the Philippines, Indonesia and Norway are not material.

The defined benefit plans in Sweden and Switzerland are governed by a broadly similar framework of rules. The plans are final salary retirement plans which give employees benefits in the form of a guaranteed level of pension payment during their lives. The plans are exposed, broadly speaking, to similar risks. The Swedish plan, however, covers only pensioners and paid-up policyholders, while the Swiss plan covers only active employees. The plan in Switzerland is secured by a fund. The Swedish plan is unfunded. The defined benefit plans in Germany are individual and partially funded. The company will meet the obligation to make payments for the unfunded plan when it runs out.

Alecta
For white-collar staff in Sweden, the ITP 2 occupational pension plan's defined-benefit pension obligation for retirement and survivor pensions is secured through insurance with Alecta. According to a statement from the Swedish Financial Reporting Board this is a defined-benefit multiemployer plan. For the financial year, the company has not had access to the information required to recognise this plan as a defined-benefit plan. The ITP supplementary pension plan for salaried employees' retirement benefits that is secured through insurance with Alecta is, therefore, recognised as a defined-contribution plan.

Contributions during the year for pension insurance with Alecta amounted to SEK 407 million (395). The fees for next year are expected to be in line with this year, adjusted for performance. Alecta's surplus may be allocated to the insurance policy holder and/or the insured. At year-end Alecta's surplus in the form of the collective funding ratio was 172 percent (148). The collective funding ratio is the market value of Alecta's assets as a percentage of the insurance obligations calculated in accordance with Alecta's actuarial calculation assumptions, which are not in conformity with IAS 19.

If funding is low, one possible action is to raise the agreed price for new entrants and for the extension of existing benefits. If funding is high, one possible action is to reduce premiums.

Group
Defined-benefit plans

	2021	2020
Present value of funded obligations	-2,639	-2,696
Fair value of plan assets	2,778	2,487
	139	**-208**
Present value of unfunded obligations	-134	-133
Unrecognised asset due to asset ceiling	-220	—
Liability recognised in balance sheet	**-216**	**-341**
of which Sweden	*-56*	*-60*
of which Germany	*-102*	*-100*
of which Switzerland	*-5*	*-143*
of which other countries	*-42*	*-38*

Note 20, cont.

Change in the defined-benefit net debt

Group	2021 Present value of plan assets	2021 Present value of obligations	2021 Maximum ceiling, pension fund	2021 Total	2020 Present value of plan assets	2020 Present value of obligations	2020 Total
Opening balance	2,487	-2,828	—	-341	2,658	-3,045	-387
Current service costs	—	-71	—	-71	—	-71	-71
Past service costs	—	14	—	14	—	8	8
Change in special employers' contribution (Sweden)	—	2	—	2	—	0	0
Interest income/expense	3	-4	—	-1	6	-7	-2
Return on plan assets (excluding interest)	207	—	—	207	14	—	14
Actuarial gains/losses	—	132	—	132	—	28	28
Exchange rate difference	180	-184	—	-4	-85	95	10
Contributions paid by employer	65	—	—	65	68	—	68
Contributions by plan participants	47	-47	—	0	48	-48	0
Benefits paid	-228	232	—	4	-220	212	-8
Acquisitions	17	-19	—	-2	0	0	0
Effect of asset ceiling on net defined-benefit obligations	—	—	-220	-220	—	—	—
Closing balance	**2,778**	**-2,773**	**-220**	**-216**	**2,487**	**-2,828**	**-341**

Actuarial gains and losses

	2021	2020
Financial assumptions	27	-38
Demographic assumptions	84	38
Experience-based adjustments	21	17
Total	**132**	**16**

Allocation of plan assets

	2021	2020
Cash and cash equivalents	19	22
Equity instruments	852	698
Debt instruments	1,309	1,241
Real estate	500	425
Other	98	101
Total	**2,778**	**2,487**

All assets have a quoted market price.

Assumptions for defined-benefit obligations

Sweden	2021	2020
Discount rate, %	1.6	0.75
Inflation, %	2.1	1.5

Switzerland	2021	2020
Discount rate, %	0.2	0.1
Inflation, %	0.0	0.0
Future increase in pensions, %	0.0	0.0
Future increase in salaries, %	0.5	0.5

Germany	2021	2020
Discount rate, %	0.8	0.7
Inflation, %	2.0	1.9
Future increase in pensions, %	2.0	1.7

The discount rate is equivalent to the market interest rate on mortgage bonds and corporate bonds, respectively, with the duration corresponding to the average remaining term of the obligation.

Note 20, cont.

Sensitivity analysis of pension obligations

	Sweden		Switzerland		Germany	
	Change in assumptions	**Increase/ decrease**	**Change in assumptions**	**Increase/ decrease**	**Change in assumptions**	**Increase/ decrease**
Discount rate	+/-0.50%	+/-3	+/-0.50%	+/-0	+/-0.50%	+7/-6
Rate of salary increases	–	–	+/-0.50%	+/-0	–	–

The sensitivity analysis is based on a change in one assumption while all other assumptions remain constant. It is unlikely that this will occur in practice, and changes in several of the assumptions may be correlated. Payments to plans are expected to total SEK 203 million (190) over the coming year. The average remaining term for the Swedish plan is 13 years (14), for the German plan, 13 years and for the Swiss plan, 16 years (13).

Defined-contribution plans

Group	2021	2020
Cost of defined-contribution plans (including Alecta)	969	896

Parent	2021	2020
Cost of defined-contribution plans (including Alecta)	31	28

Defined-benefit plans

Parent	2021	2020
Present value of unfunded obligations	15	17
Net amount recognised as regards defined-benefit plans	**15**	**17**
Of this, covered by credit insurance via FPG/PRI	15	17

Changes in obligations during the year

Parent	2021	2020
Net present value of pension obligations at start of year	17	18
Cost excluding interest expense charged to profit or loss	0	0
Interest expense	0	0
Payment of pensions	-2	-2
Net present value of pension obligations at end of year	**15**	**17**

All obligations are for pension provisions under the Pension Obligations Vesting Act.

Note 21

Other provisions

Change in non-current provisions

	Restructuring		Other		Total	
Group	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Carrying amount at start of period	17	18	74	89	91	107
Provisions during the period	3	17	40	27	43	44
Amount utilised during the period	-10	-15	-32	-21	-42	-37
Releases during the period	-1	-2	-26	-8	-26	-10
Transfer from non-current to current	4	—	0	—	4	—
Provisions from acquired businesses	—	—	—	-3	—	-3
Translation differences	0	0	2	-10	3	-10
Carrying amount at end of period	**13**	**17**	**59**	**74**	**72**	**91**

Change in current provisions

	Restructuring		Other		Total	
Group	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Carrying amount at start of period	35	67	39	33	74	101
Provisions during the period	7	57	13	24	21	81
Amount utilised during the period	-27	-89	-17	-17	-44	-106
Releases during the period	—	-1	-15	—	-15	-1
Transfer from non-current to current	-4	—	0	—	-4	—
Translation differences	1	0	1	-1	2	-1
Carrying amount at end of period	**13**	**35**	**21**	**39**	**34**	**74**

Parent

Other provisions

	2021	**2020**
Carrying amount at start of period	47	79
Amount utilised during the period	-28	-9
Releases during the period	—	-21
Discounting of contingent considerations	0	2
Translation differences	1	-4
Carrying amount at end of period	**20**	**47**

Of the recognised provisions, SEK 20 million (47) is for contingent considerations.

Note 22

Taxes

Recognised in profit or loss

Group	**2021**	**2020**
Current tax		
Tax expense for the period	-280	-284
Adjustment of tax attributable to previous years	-20	-28
Deferred tax		
Deferred tax expense/income	37	49
Total recognised consolidated tax	**-264**	**-264**

Parent	**2021**	**2020**
Current tax		
Tax expense for the period	-3	15
Adjustment of tax attributable to previous years	0	-11
Deferred tax		
Deferred tax expense/income	-16	22
Total recognised parent tax	**-19**	**26**

Note 22, cont.

Reconciliation of effective tax

Group	2021 (%)	2021	2020 (%)	2020
Profit before tax		1,393		1,196
Tax per parent's applicable tax rate	20.6	287	21.4	256
Effect of other tax rates for foreign subsidiaries	0.9	12	0.8	9
Non-deductible costs	1.4	20	3.8	45
Non-taxable income	-0.8	-12	-4.5	-54
Tax for previous non-capitalised loss carry-forwards	-2.3	-32	-2.0	-24
Effects of loss carry-forward without corresponding capitalisation of deferred tax	-0.1	-2	-0.9	-10
Effect of changed tax rates	-0.2	-2	0.0	0
Tax attributable to previous years	1.5	20	2.4	28
Other	-2.0	-28	1.2	14
Recognised effective tax	**18.9**	**264**	**22.1**	**264**

Parent	2021 (%)	2021	2020 (%)	2020
Profit before tax		598		264
Tax per parent's applicable tax rate	20.6	123	21.4	55
Non-deductible costs	2.3	14	11.9	30
Non-taxable income	-13.4	-80	-47.7	-123
Tax attributable to previous years	0.0	0	4.4	11
Other	-6	-38	-0.4	0
Recognised effective tax	**3.1**	**19**	**-9.8**	**-26**

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Deferred tax asset		Deferred tax liability		Net	
Group	2021	2020	2021	2020	2021	2020
Non-current assets	20	70	-314	-387	-294	-317
Current receivables and liabilities	20	16	-75	-77	-54	-60
Provisions and non-current liabilities	74	58	2	-1	76	56
Untaxed reserves	—	—	4	2	4	2
Loss carry-forward	54	71	—	—	54	71
Tax assets/liabilities	**168**	**215**	**-383**	**-463**	**-215**	**-248**
Set-off	6	-2	-6	2	—	—
Net tax assets/liabilities	**174**	**213**	**-389**	**-461**	**-215**	**-248**

Unrecognised deferred tax assets

Deductible temporary differences and loss carry-forwards for tax purposes for which deferred tax assets have not been recognised in profit or loss and balance sheets:

Group	2021	2020
Tax deficit	324	425
	324	**425**

Deferred tax assets were not recognised for these tax deficits, since it has not yet been deemed likely that the Group will be able to utilise them against future taxable profits. The deficits are attributable to AFRY's subsidiaries in Germany, Switzerland, Poland, Brazil, Canada, Chile and Mexico. The deficits do not fall due.

Change in deferred tax in temporary differences and loss carry-forwards

Group	Balance at 1 January 2021	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	Acquisition/ divestment of business	Reclassification, translation differences etc.	Balance at 31 December 2021
Non-current assets	-317	36	—	—	-13	—	-294
Current receivables and liabilities	-60	23	—	—	—	-17	-54
Provisions and non-current liabilities	56	-7	-24	4	2	45	76
Untaxed reserves	2	2	—	—	—	0	4
Loss carry-forward	71	-17	—	—	—	—	54
	-248	**37**	**-24**	**4**	**-11**	**28**	**-215**

Note 22, cont.

Group	Balance at 1 January 2020	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	Acquisition/ divestment of business	Reclassification, translation differences etc.	Balance at 31 December 2020
Non-current assets	-347	15	—	—	5	10	-317
Current receivables and liabilities	-98	46	—	—	—	-8	-60
Provisions and non-current liabilities	55	27	-9	-6	—	-11	56
Untaxed reserves	-11	9	—	—	—	4	2
Loss carry-forward	124	-49	—	—	-5	—	71
	-277	**49**	**-9**	**-6**	**0**	**-5**	**-248**

Note 23

Accrued expenses and prepaid income

	Group		Parent	
	2021	**2020**	**2021**	**2020**
Personnel-related liabilities	1,516	1,423	32	43
Project-related liabilities	59	73	20	—
Accrued expenses, subcontractors	208	170	—	1
Other	365	360	37	63
	2,148	**2,026**	**88**	**107**

Note 24

Operating leases

Leases for which the company is the lessee
Operating leases cover rental agreements for properties, leases for vehicles under which employees assume all the financial risks and benefits associated with the vehicles, and the lease of certain items of office equipment. The cars are leased primarily over three years.

The Group applied IFRS 16 Leases as from 1 January 2019. For the parent, leases are reported according to RFR2.

Non-terminable minimum lease payments

	Premises		Other	
Parent	**2021**	**2020**	**2021**	**2020**
During the year	307	280	2	3
Within one year	324	341	2	3
Between one and five years	1,536	1,020	8	10
Longer than five years	352	524	—	—
Total	**2,519**	**2,165**	**13**	**15**

Note 25

Pledged assets, contingent liabilities and contingent assets

	Group		Parent	
	2021	**2020**	**2021**	**2020**
Pledged assets				
In the form of pledged assets for own liabilities and provisions				
Total pledged assets	**—**	**—**	**—**	**—**
Contingent liabilities				
Guarantee commitments, FPG/PRI	—	0	—	—
Guarantee commitments in favour of subsidiaries	—	—	83	26
Guarantee commitments	614	500	2	4
Total contingent liabilities	**614**	**500**	**85**	**30**

Guarantee commitments refer primarily to performance guarantees for tenders and the completion of projects.

Contingent assets
The Group has determined that no contingent assets exist.

Note 26

Related party transactions

The parent has a related party relationship with its subsidiaries (see Note 27).

Summary of transactions with related parties
This refers to the ÅForsk Foundation, which holds 33.4 percent of the votes in AFRY AB, senior executives, associates and joint ventures. Transactions with these parties took place on commercial terms.

Group	Year	Sale of services to related parties	Purchase of services from related parties	Receivables from related parties at 31 Dec	Liabilities to related parties at 31 Dec
Joint venture	2021	0	–	–	–
Joint venture	2020	0	–	–	–
Senior executives	2021	–	–	–	40
Senior executives	2020	–	–	–	49
ÅForsk Foundation	2021	1	–	–	–
ÅForsk Foundation	2020	1	–	–	–

In 2021, in addition to the above, the Group received SEK 0 million (0) in appropriations from the ÅForsk Foundation.
For details of other remuneration to senior executives, please see Note 6.

Parent	Year	Sale of services to related parties	Purchase of services from related parties	Receivables from related parties at 31 Dec	Liabilities to related parties at 31 Dec
Subsidiaries	2021	1,214	303	8,238	2,253
Subsidiaries	2020	1,293	330	7,102	2,416
Senior executives	2021	–	–	–	15
Senior executives	2020	–	–	–	24
ÅForsk Foundation	2021	0	–	–	–
ÅForsk Foundation	2020	–	–	–	–

Note 27

Group companies

Comprehensive list of all Group subsidiaries

			2021	
	Corp. ID number	Registered office	Participating interest, %[1]	Carrying amount in parent
AFRY Group Sweden AB	556158-1249	Sweden	100	374
ÅF Digital Solutions AB	556866-4444	Sweden	100	–
Cervino Consulting AB	556908-6183	Sweden	100	–
Cervino Consulting Kommanditbolag	969764-2420	Sweden	50	–
Cervino Consulting Kommanditbolag	969764-2420	Sweden	50	–
Alteco AB	556550-2209	Sweden	100	–
Ingenjörsprojekt i Sverige AB	556487-7164	Sweden	100	–
ÅF-Infrastructure AB	556185-2103	Sweden	100	–
ÅF Sandellsandberg arkitekter AB	556464-9308	Sweden	100	–
Koncept Arkitektur och Design ÅF AB	556496-2941	Sweden	100	–
Sonny Svenson Konsult AB	556338-1267	Sweden	100	–
AB Sonny Svenson Konsult i Norrtälje	556705-9786	Sweden	100	–
ÅF-Industry AB	556224-8012	Sweden	100	–
AF Engineering & Design Pty Ltd	2018/414610/07	South Africa	100	–
EKOM AB	556890-0822	Sweden	100	–
Facilia AB	556766-3611	Sweden	100	–
Lexter Ljuddesign AB	556738-2931	Sweden	100	–
Pöyry Sweden AB	556850-0515	Sweden	100	–
AF Engineering (Chengdu) Co. Ltd.	91510100MA6C7ARL8F	China	100	–

Note 27, cont.

	Corp. ID number	Registered office	2021 Participating interest, %[1]	2021 Carrying amount in parent
ProTAK Systems AB	556586-0664	Sweden	100	–
Zert AB	556445-1812	Sweden	100	–
AFRY X AB	559297-0379	Sweden	100	–
Gärderup Byggkonstruktion AB	556507-0314	Sweden	100	–
Evolve Technology Sweden AB	559094-3527	Sweden	100	–
Trivalo AB	559145-3294	Sweden	100	–
TM Konsult AB	556331-8012	Sweden	100	–
Collage Arkitekter AB	556843-2214	Sweden	100	–
Teknisk Merkantil Konsult AB	559088-3467	Sweden	100	–
AFRY Group Denmark A/S	42301256	Denmark	100	–
Gottlieb Paludan Architects A/S	18 35 59 49	Denmark	100	–
AFRY ApS	20 24 66 93	Denmark	100	–
ÅF Buildings Denmark P/S	34 07 48 01	Denmark	100	–
Komplementaranpartsselskabet Midtconsult	33 58 46 36	Denmark	100	–
LK Consultants Ltd.	0191285	Gibraltar	100	–
AFRY Denmark A/S	13 59 08 85	Denmark	100	–
ÅF Ukraine LLC	42703305	Ukraine	100	0
Light Bureau Limited	05333484	UK	100	14
ÅF-Consult AB	556101-7384	Sweden	100	0
ÅF-Teknik & Miljö AB	556534-7423	Sweden	100	0
Epsilon Holding AB	556421-6884	Sweden	100	3
LeanNova Engineering AB	556880-7233	Sweden	100	0
AF Engineering (Shanghai) Co. Ltd.	9131000007482378XN	China	100	–
AFRY ENGINEERING INDIA PRIVATE LIMITED	U74999DL2019FTC347883	India	1	–
LeanNova Engineering UK Ltd	9039993	UK	100	0
AFRY Group Norway AS	911 567 989	Norway	100	668
AFRY Norway AS	915 229 719	Norway	100	–
Advansia AS	883 889 762	Norway	100	–
AFRY Consult AS	934 948 262	Norway	100	–
Vivento AS	922 239 576	Norway	100	–
ÅF-Consult Oy	1800189-6	Finland	100	46
ÅF-Consulting AS	10 449 422	Estonia	100	–
UAB AF-Consult	135 744 077	Lithuania	100	–
Enprima Engineering Oy	0477940-2	Finland	100	–
Profil-Bau Industrial Oy	2569789-5	Finland	100	0
AFRY Estonia OÛ	11 297 301	Estonia	100	8
AF Consult LLC	1 037 800 096 641	Russia	100	1
AFRY CZ s.r.o.	453 06 605	Czech Republic	100	106
ÅF Infrastructure Polska Sp. z o.o.	0000751808	Poland	100	1
AF Consult do Brazil Ltda	108.307.539/0001-08	Brazil	84,95	8
AFRY Solutions Spain, S.A.U.	A2004 9870	Spain	100	12
AFRY ENGINEERING INDIA PRIVATE LIMITED	U74999DL2019FTC347883	India	99	0
AFRY Group Finland Oy	1009321-2	Finland	100	7,085
Poyry Management Consulting (Australia) Pty Ltd	ACN 008 503 517	Australia	100	–
AFRY Austria GmbH	FN95496k	Austria	100	–
Pöyry (Beijing) Engineering and Consulting Company Limited	91110105772553297R	China	100	–
AFRY Engineering (Suzhou) Co., Ltd.	91320281094420443X	China	100	–
Kiinteistö Oy Manuntori	0599822-8	Finland	34.2	–
AFRY Finland Oy	0625905-6	Finland	100	–
Numerola Oy	1511108-8	Finland	100	–
Insinööritoimisto Suunnittelukide Oy	1646106-3	Finland	100	–
Pöyry Shandong Engineering and Consulting Company Limited	004356 Jinan Shandong	China	90	–

Note 27, cont.

	Corp. ID number	Registered office	2021 Participating interest, %[1]	2021 Carrying amount in parent
Salamanca Proyectos Llave en Mano S.L.	C.I.F. B86087558	Spain	100	–
Pilowin S.A.	5356865	Uruguay	100	–
Pöyry Soluções em Projetos Ltda	12.051.324/0001-38	Brazil	99	–
EPP - Empresa de Pagamentos Planejados Ltda	14.576.556/0001-35	Brazil	33	–
Pöyry Latin America S.L.U.	C.I.F. B85525699	Spain	100	–
Pöyry (Chile) Limitada	76.389.454-1	Chile	99.9	–
Pöyry (Peru) S.A.C.	20492556671	Peru	99.9996	–
Pöyry Soluções em Projetos Ltda	12.051.324/0001-38	Brazil	1	–
Pöyry Consultoria em Gestao e Negocios Ltda	81.679.268/0001-01	Brazil	1	–
Pöyry Consultoria e Projetos Ltda.	07.885.917/0001-60	Brazil	1	–
Pöyry Tecnologia Ltda.	50.648.468/0001-65	Brazil	0.02	–
Mifecor S.A.	6826148	Uruguay	100	–
PT AFRY Indonesia	01.869.762.3-058.000	Indonesia	1	–
AFRY Solutions (Mexico) S.A. de C.V.	357161	Mexico	0.01	–
Pöyry (Chile) Limitada	76.389.454-1	Chile	0.1	–
Pöyry (Peru) S.A.C.	20492556671	Peru	0.0004	–
AFRY Industry Oy	2024996-2	Finland	100	–
PT AFRY Indonesia	01.869.762.3-058.000	Indonesia	94	–
AFRY Management Consulting Oy	2302276-3	Finland	100	–
AFRY Management Consulting Austria GmbH	FN368887g	Austria	100	–
AFRY Management Consulting S.A.S.	429 750 300 R.C.S. Paris	France	100	–
Cordoba Management Consulting S.L.	C.I.F. B86011814	Spain	100	–
Pöyry Consultoria em Gestao e Negocios Ltda	81.679.268/0001-01	Brazil	99	–
Simosol Oy	2090992-4	Finland	100	–
Iptim Inc.	99-0385808	USA	100	–
Simosol Vietnam Ltd.	0402057447	Vietnam	100	–
DigiTapio Oy	3010774-9	Finland	50	–
MosaicMill Oy	2289797-1	Finland	100	–
QIXIT Oy	2950960-1	Finland	100	–
Cubiq Analytics Oy	2752985-2	Finland	100	–
AFRY Management Consulting S.r.l.	03357900962	Italy	100	–
AFRY Deutschland GmbH	HRB 704261	Germany	100	–
AFRY Management Consulting GmbH	HRB 50407	Germany	100	–
Pöyry Infra Traffic GmbH	HRB 45419	Germany	100	–
Poyry Infra Sp. z o.o.	68184	Poland	100	–
AFRY ERŐTERV ZRt.	Cg. 01-09-940929	Hungary	98.94	–
AFRY Italy S.r.l.	03684000106	Italy	100	–
AFRY Malaysia Sdn Bhd	551240-M	Malaysia	100	–
Poyry Management Consulting (NZ) Limited	358341	New Zealand	100	–
AFRY Poland sp. z o.o.	150659	Poland	100	–
AFRY Rus LLC	1147847070007	Russia	100	–
Poyry Management Consulting (Singapore) Pte. Ltd.	199200145K	Singapore	100	–
Valencia Engineering S.L.	C.I.F. B85756310	Spain	100	–
Pöyry Tecnologia Ltda.	50.648.468/0001-65	Brazil	99.98	–
EPP - Empresa de Pagamentos Planejados Ltda	14.576.556/0001-35	Brazil	34	–
Pöyry Consultoria e Projetos Ltda.	07.885.917/0001-60	Brazil	99	–
EPP - Empresa de Pagamentos Planejados Ltda	14.576.556/0001-35	Brazil	33	–
AFRY Vietnam Ltd	0109293058	Vietnam	100	–
AFRY Group Switzerland AG	CHE-340.373.992	Switzerland	100	–
AF-Consult Switzerland AG	CHE-105.949.521	Switzerland	100	–
AFRY South-East Asia Ltd	3011879733	Thailand	100	–
AFRY India Private Limited	U74140DL2009FTC197507	India	100	–

Note 27, cont.

	Corp. ID number	Registered office	2021 Participating interest, %[1]	2021 Carrying amount in parent
AF Consult do Brazil Ltda	108.307.539/0001-08	Brazil	15,05	—
AF-Consult Energy doo Beograd	20 801 298	Serbia	100	—
AF-Iteco AG	CHE-108.035.698	Switzerland	100	—
ITECO Nepal (Pvt.) Ltd	2616/043-44	Nepal	66.6	—
PT AF-Consult Energy Indonesia	4018020131100230	Indonesia	95	—
Power Design International Ltd	224 309	Uganda	100	—
AFRY Management Consulting AG	CHE-108.336.384	Switzerland	100	—
AFRY Schweiz AG	CHE-108.100.605	Switzerland	100	—
AFRY Philippines, Inc.	A199718934	Philippines	40	—
AFRY Contracting Philippines, Inc	CS201417557	Philippines	40	—
Pöyry Infra Ltd.	0105534110367	Thailand	49	—
AFRY (Thailand) Ltd	0105539109073	Thailand	49.4985	—
AFRY Group (Thailand) Ltd.	0105549127651	Thailand	100	—
AFRY (Thailand) Ltd	0105539109073	Thailand	50.499	—
Pöyry Infra de Venezuela, S.A.	(RIF) J-31047947-0	Venezuela	100	—
Poyry (B) Sdn Bhd	BN	Brunei Darussalam	90	—
AFRY Solutions (Mexico) S.A. de C.V.	357161	Mexico	99.99	—
IFEC Ingegneria SA	CHE-436.940.173	Switzerland	100	—
Amata Power (Bien Hoa) Ltd	TBA	Vietnam	30	—
Poyry Energy Nigeria Limited	2573801	UK	0.1	—
AFRY Solutions UK Limited	1192469	UK	100	—
Poyry PNG Limited	1-116142	Papua New Guinea	100	—
Poyry Energy Nigeria Limited	RC 1479096	Nigeria	100	—
AFRY Management Consulting (UK) Limited	2573801	UK	99.9	—
AFRY Capital Limited	3639550	UK	100	—
AFRY Group USA Inc.	049137, FEIN 39-1925989	USA	100	—
AFRY USA LLC	FEIN 39-1909415	USA	100	—
AFRY Management Consulting Inc.	FEIN 98-0442806	USA	100	—
AFRY Canada Inc.	404505-0	Canada	100	—
AFRY South Africa (Pty) Ltd	1997/011722/07	South Africa	100	—

[1]Participating interest refers to both voting share and proportion of total number of shares.

Specification of changes in carrying amounts for the year

Parent	2021	2020
Opening carrying amount	8,369	8,521
Internal share transfer	—	-427
Impairment	-41	-100
Shareholders' contribution	—	375
Closing carrying amount	**8,328**	**8,369**

Note 28

Untaxed reserves

Parent	2021	2020
Accumulated additional depreciation		
Opening balance 1 January	116	78
Depreciation for the year, equipment	-19	38
Closing balance 31 December	**97**	**116**
Transfer to tax allocation reserve		
Opening balance 1 January	4	4
Reversal for the year	—	—
Provisions for the year	0	—
Closing balance 31 December	**4**	**4**
Total untaxed reserves	**101**	**120**

Note 29

Statement of cash flows

Interest paid and dividends received

	Group		Parent	
	2021	2020	2021	2020
Dividends received	—	—	389	15
Group contribution received	—	—	—	—
Interest received	12	13	141	139
Interest paid	-71	-97	-89	-120
	-59	**-85**	**440**	**35**

Adjustment for items not included in cash flow

	Group		Parent	
	2021	2020	2021	2020
Depreciation/amortisation	856	847	36	34
of which IFRS 16 Leases	*566*	*520*	—	—
Changed estimated contingent considerations	-36	-62	—	—
Restructuring reserve	-27	-20	—	—
Anticipated dividend from subsidiaries	—	—	—	-502
Impairment of shares in subsidiaries	—	—	41	82
Transaction costs	8	1	—	—
Unrealised exchange rate differences	121	-331	9	—
Other	-47	18	7	-30
	874	**453**	**93**	**-416**

Reconciliation of liabilities arising from financing activities

	Opening balance	Cash flows		Changes that do not affect cash flow			Closing balance
Group		**Cash receipts**	**Cash disbursements**	**Conversion**	**Translation differences**	**Other**	
Long-term bank loans	501	512	—	—	-1	—	1,012
Bond loan	2,500	1,000	—	—	—	—	3,500
Short-term bank loans	811	—	-856	—	45	—	—
Commercial paper	—	600	—	—	—	—	600
Staff convertible	549	—	—	-173	—	—	376
Lease liabilities	2,437	—	-518	—	67	176	2,162
Other	1	—	—	—	—	-2	—
Total liabilities arising from financing activities	**6,800**	**2,112**	**-1,374**	**-173**	**112**	**173**	**7,650**

	Opening balance	Cash flows		Changes that do not affect cash flow			Closing balance
Parent		**Cash receipts**	**Cash disbursements**	**Conversion**	**Translation differences**	**Other**	
Long-term bank loans	500	512	—	—	—	—	1,012
Bond loan	2,500	1,000	—	—	—	—	3,500
Short-term bank loans	855	—	-856	—	1	—	—
Commercial paper	—	600	—	—	—	—	600
Staff convertible	549	—	—	-173	—	—	376
Total liabilities arising from financing activities	**4,404**	**2,112**	**-856**	**-173**	**1**	—	**5,488**

Cash and cash equivalents

	Group		Parent	
	2021	2020	2021	2020
Cash and bank balances	703	811	25	100
Balance in Group account with the parent	1,357	774	1,130	594
Investments in securities etc., equivalent to cash and cash equivalents	52	345	—	195
Total according to balance sheet	**2,112**	**1,930**	**1,155**	**889**

Note 30

Events after end of reporting period

The spring has been marked by the war in Ukraine and the very worrying development in Europe. Our immediate focus has been to care for our colleagues in the region by ensuring the safety of our employees during these difficult times. AFRY has decided not to take on new projects in Russia and initiate the process to exit the business in the country. The business in Russia corresponds to less than 1 percent of AFRY's total net sales in 2021.

After the end of the reporting period, AFRY acquired the following companies:
Vahanen International Oy, Finland, with annual sales of SEK 470 million and 500 employees.
Swedish Electrical and Power Control AB, Sweden, with annual net sales of around SEK 28 million and 16 employees.

Acquisitions after the end of the reporting period
Preparation of acquisition analyses after the end of the reporting period are in progress.

Vahanen International Oy
On 4 January 2022, all shares in Vahanen International Oy were acquired for SEK 690 million. The operating profit along with the assets and liabilities of the acquired company are consolidated from 1 January 2022.

When the financial report was approved for publication, AFRY had not yet completed the accounting for the acquisition. The allocation of the surplus value is in progress. As a preliminary measure, the surplus value is recognised as goodwill.

Transaction costs of SEK 5 million are recognised as other external costs in profit or loss in 2022.

Recognised amounts (preliminary fair values) of identifiable acquired assets and assumed liabilities in Vahanen International Oy at acquisition date.

Acquired net assets at date of acquisition of Vahanen International Oy

SEK million	
Intangible non-current assets	64
Property, plant and equipment	5
Right-of-use assets	34
Accounts receivable and other receivables	81
Deferred tax asset	4
Cash and cash equivalents	44
Accounts payable, loans and other liabilities	-173
Net identifiable assets and liabilities	**59**
Goodwill	631
Purchase consideration including estimated contingent consideration	**690**
Transaction costs	5
Less:	
Cash (acquired)	44
Net cash outflow	**651**

Note 31

Critical estimates and judgements

Noteworthy sources of uncertainty in estimates
The Group makes estimates and assumptions about the future. The resulting accounting estimates will rarely correspond to the actual outcome. Estimates and judgements are reviewed regularly and are based on historical experience and other factors, including the expected outcomes of future events that are considered reasonable under the circumstances.

The main features of the estimates and assumptions which represent a significant risk of material adjustments to the carrying amounts of assets and liabilities during the coming financial year are presented below.

Impairment test of goodwill
When calculating the recoverable amount of cash-generating units, several assumptions about future circumstances and estimates of parameters have been made. Changes to these assumptions and estimates could affect the carrying amount of goodwill (see Note 14).

A declining growth rate and reduced operating margin would result in a lower recoverable amount. The reverse applies if the calculation of the recoverable amount is based on a higher growth rate or margin. Were future cash flows to be discounted at a higher rate of interest, the recoverable amount would be lower. Conversely, the recoverable amount would be higher with a lower discount rate. The impairment test for the year did not give rise to any material impairment in respect of goodwill.

Contingent considerations
A contingent consideration linked to an acquisition is frequently dependent on the future economic development of the business acquired. The actual outcome may deviate from these assumptions and the effect of this will be to change the size of the previously recognised contingent consideration.

Pension assumptions
The Group's net obligations concerning defined-benefit plans are calculated separately for each plan by estimating the future payment which the employees earned through employment in previous periods. This payment is discounted to present value. The calculation of the size of the Group's total pension commitments is based on several assumptions (see Note 20). Were a lower discount rate to be used, the obligations would increase and have a negative effect on consolidated equity. The reverse applies if a higher discount rate is used.

Judgement on forecast and stage of completion of contracts
The Group recognises income based on fulfilment of performance obligations over time and as the service is provided. Revenue recognition is based on costs with accumulated costs set in relation to total estimated costs. This means that the Group must perform multiple estimates of the percentage of total expenditures represented by accrued expenditures at the end of the reporting period. The forecasts for each assignment also represent an estimate of final income and expenditure.

Note 31, cont.

Disputes
There is a risk that disputes may arise in the course of AFRY doing business, such as in customer assignments and in conjunction with acquisitions. At year-end, the Group recognised provisions based on a best judgement. The most material disputes in 2021, both in progress and settled, are summarised below.

Disputes arising from the construction of the Brazilian nuclear power plant Angra 3
Legal proceedings are currently being held in Brazil concerning accusations of corruption relating to the awarding of contracts in connection with the procurement of the Brazilian nuclear power plant Angra 3. The previous Brazilian president Michel Temer is the focus of the proceedings, but accusations of corruption have also been lodged against several other people and companies, including some of AFRY's foreign subsidiaries. A former employee of AF Consult Brazil has been charged with embezzlement of public funds. In June 2019 the Brazilian prosecutor brought a civil suit against certain subsidiaries of the AFRY Group as well as other parties, which included claims for damages. The Brazilian prosecutor's arguments include that AFRY's subsidiaries ÅF Consult OY and AF Consult Brazil were awarded the Angra 3 contract as part of an arrangement to facilitate the transfer of benefits to the former president from one of AFRY's clients. AFRY has disputed the accusations and the prosecution. Most of the process has taken place via written correspondence between the judge, prosecutor and defendant in 2021 and is expected to continue in 2022. The Angra 3 contract is furthermore being examined by the Court of Auditors in Brazil, and arbitration proceedings have been initiated by AF Consult Brazil.

Contraloria proceedings in Peru
The Office of the Comptroller General of the Republic of Peru (La Contraloria General De La Republica, here referred to as "Contraloria") has initiated several legal proceedings concerning the Metro Lima project in Peru against a consortium in which an AFRY subsidiary participated. In 2013 Contraloria brought an action in court in Lima, Peru, with a claim of a total of USD 54 million, concerning alleged harm caused by the consortium, particularly concerning certain alleged failures to perform contracted undertakings. A decision in the first instance was originally expected in 2020 or the first half of 2021 but the negotiations have been delayed due to the Covid-19 pandemic.

Dispute in Latvia
The Latvian Prosecutor's Office has brought charges in a Latvian court against AF-Consult Switzerland and two former employees. The action concerns suspected influence peddling in 2010 via AF-Consult Switzerland's previous agent in Latvia in connection with a project to renovate a power plant in Riga. AF-Consult Switzerland has disputed the accusations and the prosecution. The main proceedings began in summer 2019 but have been severely delayed due to the Covid-19 pandemic. They are expected to continue in 2022.

Note 32

Information on parent

AFRY AB is a Swedish public limited company domiciled in Stockholm. The parent's shares are listed on Nasdaq Stockholm. The postal address to the company's head office is AFRY AB, SE-169 99 Stockholm, Sweden.

The consolidated financial statements for 2021 comprise the parent and its subsidiaries, which together form the Group. The Group also includes participations in associates.

Signatures

The undersigned declare that the consolidated accounts and annual report were prepared in accordance with IFRS, as approved by the EU, and with generally accepted accounting practices, and give a fair presentation of the position and performance of the Group and the company, and that the Group administration report and the administration report give a fair review of the progress of the Group's and the company's operations, position and performance, as well as describing the material risks and uncertainty factors to which the companies that are members of the Group are exposed.

Stockholm, 30 March 2022

Tom Erixon
Chairman of the Board

Gunilla Berg
Director

Henrik Ehrnrooth
Director

Carina Håkansson
Director

Neil McAthur
Director

Joakim Rubin
Director

Kristina Schauman
Director

Anders Snell
Director

Tomas Ekvall
Director,
employee representative

Fredrik Sundin
Director,
employee representative

Jonas Gustavsson
President and CEO

Our Audit Report was presented on 30 March 2022

KPMG AB

Joakim Thilstedt
Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of AFRY AB, corp. id 556120-6474

Report on the annual accounts and consolidated accounts

Conclusions

We have audited the annual accounts and consolidated accounts of AFRY AB for the year 2021. The annual accounts and consolidated accounts are included on pages 53–113 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent at 31 December 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group at 31 December 2021 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the Group.

Our statements in this report on the annual accounts and the consolidated accounts are consistent with the content of the supplementary report that has been submitted to the parent company's audit committee in accordance with Article 11 of EU Regulation 537/2014.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent and the Group, in accordance with the code of professional ethics for accountants in Sweden, and have fulfilled our ethical responsibilities in other respects per these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming my our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Revenue and cost recognition for fixed price projects

See Notes 2 and 31 and the accounting policies on page 77 in the annual accounts and consolidated accounts for detailed information and a description of this area.

Description of the area

Some of the Group's revenues originate from customer projects where the Group has undertaken to execute the project for a fixed price. For fixed-price projects, the Group recognises revenue and costs as the projects are completed in relation to the degree of completion, which is calculated based on costs incurred in relation to estimated total costs at the completion of the projects. Anticipated losses are expensed in their entirety as soon as they are known.

Revenue and income recognition are based on estimates of the total cost and revenue of each project. Changed assessments during the implementation of the projects may cause a significant impact on the Group's profit/loss and financial position. Project forecasts are regularly evaluated by the Group during the duration of each project and adjusted as needed.

Remodelling and extra work as well as requirements are considered when the Group deems it likely that the amount will be received from the client and when the amount can be reliably measured.

Consideration of the area in the audit

We have kept ourselves informed about and evaluated the Group's process for reviewing projects, including procedures for identifying loss projects and/or high-risk projects, as well as the process for assessing revenue and costs (including assessment of changes and expansion work).

We have selected a sample of the projects in order to asses the most important estimates. For these projects, we have discussed and challenged management's assessments in the form of estimated final forecasts, we have assessed whether the projects' risks and opportunities have been reflected in a balanced way in the project evaluations and we have assessed loss contracts and whether loss risk reserves reflect the risks of the projects.

We have furthermore evaluated reports from legal experts, both the Group's own legal experts and externally engaged, concerning disputes, and we have assessed whether and how these disputes have been taken into consideration in the project forecasts.

Evaluation of goodwill and the parent's participations in Group companies

See Notes 14, 27 and 31 and the accounting policies on pages 79 and 81 of the annual report and consolidated accounts for detailed information and a description of the area.

Description of the area

The consolidated carrying amount of intangible assets in the form of goodwill amounted to SEK 12,814 million at 31 December 2021, which is approximately 49 percent of total assets. Intangible assets with an indefinite useful life should be tested for impairment annually or upon indication of a decline in value. An impairment test is complex and relies upon a significant number of assessments.

According to IFRS, an impairment test must be performed using a certain technique where the senior management must make forecasts about both internal and external conditions and plans. Examples of such assessments are future cash flows and the discount rate that should be used to consider the fact that future estimated payments are associated with risk.

The parent recognised SEK 8,328 million in participations in Group companies as at 31 December 2021. If there are indications of significant impairment needs, for example if the value of the shares exceeds the consolidated value, the same type of testing is performed, using the same technique and initial values described above.

Consideration of the area in the audit

We have taken part in and assessed the impairment test to ensure that it has been carried out in accordance with the technique prescribed by IFRS.

Furthermore, we have assessed the reasonableness of future cash flows and the assumed discount rate by taking part in and evaluating senior management's written documentation and plans. We have also evaluated previous assessments in relation to actual outcomes. An important part of our work has also been to evaluate how changes in assumptions can affect valuation.

We have also verified the completeness of the disclosures in the annual report and assessed whether they are consistent with the assumptions that senior management has applied in its valuation, and whether they essentially correspond to the disclosures to be provided in accordance with IFRS.

Change in contingent considerations from acquisitions

See Notes 3, 13 and 31 and the accounting policies on page 78 of the annual report and consolidated accounts for detailed information and a description of the area.

Description of the area

The Group may agree with the seller on a contingent consideration for acquisitions, which usually means that parts of the consideration depend on the financial performance of the acquired business. The value is calculated based on the terms of the agreements and includes estimates of future sales growth and the operating margin that has been calculated at present value. The calculation of the value depends on significant estimates. If the actual outcome deviates from these assumptions or if the assumptions about the future financial performance of an acquired business change, this means a change in the value of recognised contingent considerations which are recognised in the income statement as they arise.

Liabilities for contingent considerations are measured at fair value in the statement of financial position and amounted to SEK 225 million at 31 December 2021. Maximum contingent consideration paid totalled SEK 228 million at the end of the reporting period.

Consideration of the area in the audit

In our audit, we analysed a selection of agreements from completed acquisitions and the parameters on which the conditional considerations are based. We also assessed the Group's assumptions regarding future earnings trends and thus the amount of conditional purchase prices.

We have also verified the completeness of the disclosures in the annual report and assessed whether they are consistent with the assumptions that senior management has applied in its valuation, and whether they essentially correspond to the disclosures to be provided in accordance with IFRS.

Other information than the annual accounts and consolidated accounts

This document also contains information other than the annual accounts and the consolidated accounts and can be found on pages 1–42 and 118–135. The other information also comprises the remuneration report which we obtained prior to the date of this auditor's report. The Board of Directors and the President and CEO are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this respect.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the CEO are responsible for the preparation of the annual accounts and consolidated accounts and for ensuring that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the CEO are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the CEO are responsible for the assessment of the company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the CEO intend to liquidate the company, to cease operations, or have no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Directors' responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the CEO.

- Conclude on the appropriateness of the Board of Directors' and the CEO's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, measures taken to eliminate threats or safeguards that have been taken.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Conclusions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the President and CEO of AFRY AB for the year 2021, as well as the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under these are further described in the Auditor's Responsibilities section. We are independent of the parent and the Group, in accordance with the code of professional ethics for accountants in Sweden, and have fulfilled our ethical responsibilities in other respects per these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the Group's type of operations, size and risks place on the size of the parent company's and the Group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organisation and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organisation is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The CEO shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility
Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the CEO in any material respect:

– has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
– in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment beginning with risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The Auditors' audit of the ESEF Report

Opinions
In addition to our audit of the Annual Report and the Consolidated Accounts, we have also audited that the Board of Directors and the President and CEO have prepared the Annual Report and the Consolidated Accounts in a format which enables standardised electronic reporting (the ESEF Report) in accordance with Chap. 16 § 4 a of the Swedish Securities Markets Act (2007:528) for AFRY AB for 2021.

Our audit and our opinions refer solely to the statutory requirement. In our opinion, the ESEF Report #nyDHtCMPdvQh+Dk= has been prepared in a format which essentially enables standardised electronic reporting.

Basis for Opinions
We have carried out the audit in accordance with FAR's [the Swedish Association of Authorised Public Accountants] Recommendation RevR 18 The Auditors' Audit of the ESEF Report. Our responsibilities under this recommendation are described in more detail in the Auditor's Responsibilities section. We are independent of AFRY AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the President and CEO
It is the responsibility of the Board of Directors and the President and CEO to ensure that the ESEF Report has been prepared in accordance with Chapter 16 Section 4a of the Swedish Securities Markets Act (2007:528) and that there is an internal control which the Board of Directors and the President and CEO deems necessary for the preparation of the ESEF Report without material misstatement, whether due to fraud or error.

Auditor's responsibility
Our assignment is to express with reasonable assurance that the ESEF Report has essentially been prepared in a format which meets the requirements of Chapter 16 Section 4a of the Swedish Securities Markets Act (2007:528) on the basis of our audit.

RevR 18 requires that we plan and perform the audit to obtain reasonable assurance about whether the ESEF Report has been prepared in a format which meets these requirements.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the financial decisions of users taken on the basis of the ESEF Report.

The audit firm applies ISQC 1 (International Standard on Quality Control) for audit companies which carry out audits and reviews of financial reports and other auditors' assignments and associated services, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The audit includes using various measures to collect evidence that the ESEF Report has been prepared in a format which enables standardised electronic reporting of the annual accounts and consolidated accounts. We select the measures to be implemented, including assessing the risks of significant misstatements in the reports whether these are due to fraud or error. In this risk assessment, we take account of the elements of the internal control that are relevant for the manner in which the Board of Directors and the President and CEO produce the data for generating audit measures which are appropriate for the circumstances, but not for the purpose of forming an opinion of the effectiveness of the internal control. The audit also involves an evaluation of the appropriateness and reasonableness of the assumptions made by the Board of Directors and the President and CEO.

The audit measures consist mainly of a technical validation of the ESEF Report, i.e. whether the file which contains the ESEF Report meets the technical specification stated in the Commission Delegated Regulation (EU) 2019/815 (The ESEF Regulation) and reconciliation of whether the ESEF report agrees with the audited annual accounts and consolidated accounts.

The audit also involves an assessment of whether the ESEF Report has been tagged with iXBRL to enable a fair and full machine-readable version of the Group's income statement, balance sheet and equity accounts, as well as the cash flow analysis.

KPMG AB, Box 382, 101 27, Stockholm, was appointed as AFRY AB's auditor by the general meeting of shareholders on 3 June 2021. KPMG AB or auditors working at KPMG AB have been the company's auditor since 2017.

Stockholm, 30 March 2022
KPMG AB

Joakim Thilstedt
Authorised Public Accountant

Sustainability notes

Contents

Note S1: About the sustainability report

Sustainability is an integral part of AFRY's vision, mission and strategy. A crucial part of our sustainability efforts is to create sustainable solutions in client assignments. In addition to AFRY's 2021 sustainability report, sustainability information is therefore largely an integrated part of the annual report.

The following pages provide additional sustainability information, such as background information for the report, information about stakeholder dialogues, materiality assessment, sustainability data, and the GRI index. AFRY annually publishes a sustainability report. The previous report, concerning the 2020 financial year, was published in April 2021.

AFRY's sustainability report for the 2021 financial year is prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option. The sustainability report covers the companies in the AFRY Group, in accordance with the same principles applied to financial reporting. The reporting principles in the GRI Standards were used to define the contents of the report.

Statistics on employees were compiled by the HR function from the HR system and refer to figures on 31 December 2021 for all companies in the Group unless otherwise stated.

The sustainability report, which is also consistent with AFRY's statutory sustainability report in accordance with Chapter 6 of the Swedish Annual Accounts Act, is covered on pages 6–7 (sustainability targets), 10–11 (business strategy), 12–13 (value creation), 20–21 (contributions to the Sustainable Development Goals), 24–25 (leader in sustainable solutions), 30–33 (attractive employer), 47–48 (Board of Directors' report on internal control relating to sustainability) 59–62 (risks linked to the environment and climate, corruption, human rights and employees) and 118–135 (sustainability notes). Also see the table of contents. Our sustainability report according to GRI Standards has been reviewed by a third party. See the auditor's Limited Assurance Report on the sustainability report and statement on the Statutory Sustainability Report on page 136.

Changes compared to the previous year

No significant changes were made to the company's size, organisation, ownership or supply chain during the year. The content of this year's report was established based on the results of the materiality assessment conducted in the autumn of 2020. Reported sustainability information and data applies to the entire Group and is valid as at 31 December 2021 unless specified otherwise. Within the framework of updating the company's climate targets, emissions were reallocated between Scopes according to the Greenhouse Gas Protocol, were emissions from privately owned cars and rental cars were moved from Scope 1 to Scope 3. Otherwise, no major changes have been made to the report's frameworks or recalculations.

Contact point

Inquiries about the sustainability report should be directed to: Henrik Tegnér, Head of Strategy and Sustainability, +46 10 505 00 00.

Note S2: Responsibility and governance

Within AFRY there is a clearly stated responsibility for sustainability and governance rooted at the highest managerial level. This gives us excellent opportunities to vigorously disseminate the business strategy's basic component – sustainability – in the entire organisation.

Integrated sustainability efforts

As President and CEO, Jonas Gustavsson has ultimate responsibility for AFRY's sustainability efforts. Henrik Tegnér, Head of Strategy and Sustainability, has strategic responsibility for AFRY's sustainability efforts and became part of Group Executive Management on 1 January 2022. The Head of Strategy and Sustainability is supported by a team. Sustainability is an integral part of Group Executive Management's work, and sustainability topics are continually under discussion. Sustainability topics are thereby prioritised early in the business process.

Sustainability is critical for AFRY's business, which is reflected in the sustainability strategy being integrated into the business strategy. This makes it easy for the organisation to use sustainability-critical aspects such as value creation, ethical engagement and commitment, and to be an attractive employer in order to create value for AFRY, our clients and society. Read more about AFRY's strategic platform on pages 10–11 and our sustainability framework on pages 24–25.

AFRY's Board of Directors incorporates sustainability topics into the overall decision process. Sustainability initiatives are also integrated into existing staff functions, ensuring their execution. Each division head is responsible for developing and driving the sustainability approach in their operations and in all their assignments through consultants. They also have contacts for sustainability-related issues depending on local needs.

A new steering committee called the Sustainability Committee was established at Group level during the year for the purpose of following up previously approved sustainability-related activities and to prepare for new activities decided on by Group Executive Management. AFRY's Head of Strategy and Sustainability is the chairman of the committee and other standing members are the President and CEO, Group General Counsel, Head of HR, CFO, Head of Communications and Director of Sustainability. Other stakeholders are invited to attend meetings as appropriate. The Sustainability Committee had six meetings in 2021.

Global Compact and Agenda 2030 are the foundation

AFRY's sustainability approach is based on the 10 principles of the UN's Global Compact on human rights, labour, the environment and anti-corruption, and we report our efforts and progress annually to the UN. The 2030 Agenda and the UN's 17 Sustainable Development Goals have led to greater demand for solutions and services that respond to societal challenges and have thus impacted AFRY's business development. In 2021, Group Executive Management accepted recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). The TCFD's recommendations cover governance, strategy, risk management, metrics and targets for the purpose of guiding organisations in identifying their climate-related risks and opportunities. Efforts to implement the TCFD's recommendations have begun and will proceed in stages.

Frameworks and guidelines that AFRY follows and is inspired by are:

- UN Global Compact
- The UN's 17 Sustainable Development Goals (Agenda 2030) and the Paris Agreement
- OECD guidelines for multinational companies
- ILO's eight fundamental conventions
- UN Guiding Principles on Business and Human Rights (UNGP)
- Transparency International's Corruption Perceptions Index
- Equator Principles (EP)
- International Finance Corporation (IFC) Performance Standards
- Principles for Responsible Investment (PRI)
- 1.5°C Business Playbook (Exponential Roadmap Initiative)
- Task Force on Climate-Related Financial Disclosures (TCFD)
- GRI Standards
- Greenhouse Gas Protocol

Code of Conduct

AFRY's Code of Conduct is based on the 10 principles of the UN Global Compact. It is a compilation of the commitments, rules and guidelines that form the basis of our operations and defines the norms and values that form the basis of how we conduct business relationships with clients, business partners, employees and other stakeholders. Our Code of Conduct covers all employees in every country as well as the Group's Board of Directors. A mandatory e-learning on AFRY's Code of Conduct was launched for all employees in 2020 (see page 120).

AFRY expects all its business partners – including suppliers, subcontractors, joint venture partners and representatives – to adhere to principles that are consistent with AFRY's Code of Conduct. In 2020 we updated our Business Partner Criteria, which is our code of conduct for business partners, and in 2021 we followed up with an e-learning to make the requirements of the Business Partner Criteria accessible.

Sustainability policy

AFRY's sustainability policy was adopted in December 2020 and applies Group-wide. The policy aims to reflect the new business strategy and our raised ambitions in the area of sustainability, and to strengthen the way in which operations are managed in line with the 1.5 degree ambition and the 2030 Agenda. The policy specifies that operations are to have a holistic approach to client assignments, business and strategy development, partnerships and collaboration with civil society; that sustainability-related risks and opportunities are to be identified and managed at the tender stage; that we are to work to increase awareness and skills among all employees about how they can help improve sustainability performance through their assignments; that sustainability aspects are to be identified and integrated into assignments; that the precautionary principle should be applied; and that we actively seek transformative and innovative assignments that accelerate the transition to a sustainable society.

As the area of sustainability is so broad, all Group-wide policies play an important role in terms of AFRY's sustainability performance, for example, AFRY's Code of Conduct and the health, safety, environment and quality policies along with the ethics and compliance policy.

Leadership and culture

AFRY has a strong values-based culture grounded in our core values Brave, Devoted Team players where sustainability and responsible business are important guiding principles for employees. All managers in the Group have particular accountability to live up to the values and principles described in our Code of Conduct and to ensure employees have understood and are complying with it in their areas of responsibilities. Serving as a good role model is part of AFRY's "brave leadership" criteria. All managers are also responsible for considering relevant goals, risks and opportunities linked to health, safety, environment and quality when planning and monitoring their business unit or function. How employees perceive the culture at AFRY is followed up regularly through employee surveys. On the question of whether the employee thinks that AFRY's employees act in accordance with the company's values, 82 percent replied positively.

Training

AFRY's sustainability efforts are based on all employees understanding how the integration of sustainability aspects are relevant to them in their daily work and how they should manage situations that arise, and it is mandatory for all employees to complete the Code of Conduct course. At year's end, 97 percent had completed the course (see the table on next page). Targeted training initiatives are held on a continuous basis to develop an understanding of corruption risks and other sustainability-related risks and opportunities in particular operational areas. During the year a new Group-wide Sustainability Learning Programme was also developed as a way to transform the company and assure that all employees have basic knowledge in sustainable development, how relevant sustainability aspects can be identified in their assignments and an understanding of AFRY's sustainability efforts (see page 123).

Introduction to AFRY's sustainability initiatives and Code of Conduct is also a significant part of AFRY's induction of new employees and of the Group's leadership training. In 2021 we added awareness-raising advanced courses in data protection and information security. It is mandatory for all new employees to take Gapminder's test on the UN Global Goals in their induction training.

Training in AFRY's Code of Conduct

	Managers		Consultants		Administrative staff		Total	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Sweden	996	97.2	5,744	96.9	228	97.0	6,968	96.9
Finland	185	100.0	1,485	99.2	98	99.0	1,768	99.3
Switzerland	132	99.2	672	98.5	47	87.0	851	97.9
Norway	147	96.1	688	95.2	24	92.3	859	95.2
Denmark	74	93.7	481	96.2	26	100.0	581	96.0
Other	388	99.0	2,230	95.5	140	84.8	2,758	95.3
Total	**1,922**	**97.7**	**11,300**	**96.9**	**563**	**93.1**	**13,785**	**96.8**

Permanent employees who have completed the mandatory e-learning course on AFRY's Code of Conduct.

Management system

AFRY has a comprehensive management system with policies, directives and processes that apply to all operations and the policies are approved annually by the Board of Directors. Our Code of Conduct and key policies are available online at afry.com. The management system is certified in line with ISO 9001 (quality), ISO 14001 (environment) and ISO 45001 (occupational health and safety). 82 percent of AFRY's operations are covered by the ISO 9001 certificate, with 78 percent covered by the ISO 14001 certificate and 78 percent by the ISO 45001 certificate. The legal entities that are covered are listed in the appendices of the certificates. The certificates are available online at afry.com.

The implementation and efficiency of the management system is followed up in the Group-wide internal quality audit programme in which there is a general three-year plan and for which a more detailed plan is drawn up each year. In 2021, 30 project audits and 35 management and support-process audits were carried out in this programme. The audit programme also includes the environment and work environment and is in line with ISO 9001, 14001 and 45001. A summary of the results is reported to Group Executive Management.

Note S3: Risk management

Continuous efforts are made to identify and manage operational risks. Read more about risks and risk management on pages 59–62 and about internal control on pages 47–48.

Governance

In autumn 2019, AFRY's Governance, Risk and Compliance (GRC) organisation was launched. In May 2020, a steering committee was established at Group level to coordinate GRC efforts: GRECS (Governance, Risks, Ethics, Compliance and Sustainability). Read more in the internal control section on page 47. GRECS held four meetings in 2021 concentrating on enterprise risk management, data protection, the framework for policies, health and safety, information security, TFCD's recommendations, follow-up of the sustainability targets and other topics. GRC efforts remained in focus in 2021 and have been further strengthened by the appointment of new roles such as Information Security Officer, Data Privacy Manager and Nordic Security Manager.

Risk assessment

AFRY has implemented evaluation and management processes which cover the company's operating activities and assignment-specific risk assessments for managing assignment risks. A central evaluation process at the tendering stage is the Code of Conduct Assessment process, which was launched in 2020. The Code of Conduct Assessment process reflects AFRY's Code of Conduct and thus also the 10 principles of the UN Global Compact. The process includes the precautionary principle, and an assessment based on the 1.5°C target, as well as the 2030 Agenda. All tenders that are to be approved by a Head of Business Area or higher in accordance with the delegation of authorities (high-risk assignments) must conduct a Code of Conduct Assessment before the tender. Assessment of corruption risks occurs in nearly all assignments that are analysed by the Compliance & Ethics function within the framework of the Code of Conduct Assessment process. During the year, the Group Legal functions Compliance & Ethics and Risk & Security helped the business operations with more than 90 risk assessments associated with tenders. These risk assessments apply globally and reflect AFRY's international operations.

Follow-up

Continuous evaluations are conducted of how AFRY is adhering to the Code of Conduct Assessment process within the framework of the Group-wide internal quality audit programme. Any deviations are reported to the risk manager, the person responsible for the bid and the division's quality control function for follow-up. The quality audits conducted in 2021 showed that in 84 percent of the assignments reviewed, it was possible to confirm that they were preceded by risk assessments in line with the risk management process in place when the assignment was launched. System support was rolled out in early 2021 in the new Group-wide CRM system for follow-up of risk assessments in high-risk assignments. Since the launch of the Code of Conduct Assessment process, the Compliance & Ethics function has been consulted on compliance issues relating to tenders on 30 occasions on average per quarter compared to 28 consultations in 2020.

Note S4: Whistleblowing function, investigations and measures

AFRY urges all of its employees to report unethical behaviour, suspected violations of laws, rules or regulations and violations of our Code of Conduct. A Group-wide whistleblowing function called Listen Up has been made available to the entire Group and to external parties via the website. All reports through this channel are received by the Chief Compliance & Ethics Officer who also decides how to handle the report and the follow-up. Since 2020, reporting of all whistleblowing, compliance matters and security incidents that were handled by the security and compliance teams have been integrated. The table below presents the number of internal matters that have been reported.

Reported internal matters

Type of matter	No. of cases
Security incident	19
HR matter	16
Compliance violation	14
Conflict of interest	5
Third-party fraud	3
Social aspects	2
Total	**59**

Note S5: Sustainability targets and outcomes

AFRY has several Group-wide sustainability targets that form the basis of operational governance. The targets were revised in 2020 to adapt them more effectively to the new strategy and the results of the materiality assessment conducted in 2020. Read more about the targets on page 7 and on the materiality assessment on page 121. In 2021, AFRY's climate targets were revised in line with the 1.5 degree ambition. AFRY's sustainability targets and outcomes for key indicators are presented in the table on next page. Read more about each area in the following sections.

AFRY's sustainability targets and outcomes

Sustainability target	Selected key indicators	2021	2020	Read more
Increase the net-positive impact through our client assignments to accelerate the sustainability transition	• Employees' awareness of their contribution to accelerating the sustainability transition through their assignments or daily work • Sustainability training (as of 28 February 2022, training launched 14 January 2022) • Proportion of taxonomy-eligible turnover	65% 78% 48%	60% – –	Page 123
Halve CO_2 emissions by 2030 and achieve net zero emissions by 2040[1]	• Absolute emissions (tonnes CO_2) • Emission intensity (kg CO_2/employee) • Average emission level for company cars (g CO_2/km)[5]	10,428 641 65	11,214 711 90	Page 125
Increase inclusion and diversity of background and culture, including achieving a gender balanced work-force (40% female leaders[2] by 2030)	• Female employees[2] • Female leaders[2] • Employees' perception of equal opportunities for all[4] • Employees' perception of line manager activelly promoting inclusion and diversity[4]	28.5% 23.5% 91% 88%	27.8% 23.1% 90% 86%	Page 130
Safeguard employee occupational health and work-life balance	• Organisational and Social work environment Index (OSI)[4] • Lost Time Injury (LTI)[3] • Sickness absence	80 20 2.31%	78 17 2.29%	Page 128
Empower brave leadership	• Leadership index[4] • Attractive employer index[4]	82 29	80 25	Page 131
Increase employee engagement	• Engagement index[4]	78	77	Page 131
Increase customer satisfaction	*Planned rollout of system support for monitoring in the CRM system in 2022*	–	–	Page 29
Ensure ethical business	• Training in AFRY's Code of Conduct[2] • Employees' perception of line manager setting a good example[4]	96.8% 90%	92.5% 88%	Page 124

1) Base year 2019. Refers to CO_2 emissions from AFRY's own operations (business travel and energy consumption in offices).
2) Amongst permanent employees.
3) LTI (Lost Time Injury), number of work-related accidents entailing absence longer than one day from the day following the accident.
4) Outcome from the annual employee engagement survey.
5) Concerns vehicles in Swedish operations.

Note S6: Stakeholder dialogue and materiality assessment

A close dialogue with our stakeholders is central to AFRY's sustainability work. The dialogue is ongoing in all projects, meetings and other contacts that we have with the most important stakeholders. Sustainability topics are often part of the discussion, not least in connection with customer assignments. This integrated annual and sustainability report provides an ongoing description of how AFRY meets the demands and expectations of stakeholders. The table on this page lists our most important stakeholders, how we conduct an ongoing dialogue and what topics the various stakeholders regard as most important. These stakeholders are significant to AFRY because they have a major impact on the company and/or are affected by the company's operations.

How we engage in dialogue and important topics

Stakeholders	How we engage in dialogue	Important topics
Clients	Client meetings, project meetings, follow-up interviews after project conclusion, website, participation in client events	Business ethics, satisfaction, perceived quality, prices, contracts, procurement, deliveries, sustainability where environmental impact including climate impact is of major importance, consultants' sustainability expertise, quantification of climate impact in the tender stage
Employees	Performance reviews, intranet, workplace meetings, conferences, internal training, leadership programmes, newsletters	Well-being, salary, business ethics, work environment and professional development, type of assignment, management of assignments in industries with a high climate impact
Partners	Planning meetings, project meetings, website	Prices, agreements, business ethics
Owners	Investment events, such as in connection with quarterly reports, capital market days, annual general meeting, interviews, website, newsletters	Growth, profitability, business ethics, risk and control, sustainability and macrotrends as drivers of profitability and new business opportunities, how strategic sustainability efforts develop
Suppliers	Supplier meetings, follow-up meetings, requests for quotes and procurement, interviews and surveys	Contract negotiations, compliance with our Business Partner Criteria
Media, students, authorities and organisations, universities and colleges	Website, mail, attendance at conferences, counselling on specific issues	Topics on how sustainability efforts are developing, the offering and business associated with industries that have a climate impact

In 2020, AFRY conducted a materiality assessment, which included a stakeholder dialogue, as a complement to the ongoing dialogue. This provided the foundation for identifying our material sustainability topics and further developing our sustainability initiatives. The stakeholder dialogue consisted of a survey sent to both external stakeholder groups and all employees, as well as in-depth interviews with members of the Board of Directors and Group Executive Management to understand how stakeholders prioritise different topics of relevance to AFRY's sustainability efforts. The survey was answered by 5,887 people, of whom 5,601 were employees. The survey was also answered by clients, suppliers, students, shareholders, investors and stakeholder associations. The sustainability topics raised by the stakeholders as most important were:

- Sustainable and profitable growth
- Accelerate the sustainability transition
- Sustainable solutions
- Good business ethics
- Client responsibility
- Partner responsibility
- Own climate impact
- Information security and data privacy
- Physical and mental well-being
- Talent attraction and retention
- Diversity, inclusion and equal opportunity

The results of the stakeholder dialogue, including the analysis of the in-depth interviews with members of the Board of Directors and Group Executive Management and dialogues with the entire Group Executive Management team, form the basis of the sustainability topics that AFRY has defined as material within the framework of the materiality assessment. The materiality principle was applied using a weighted assessment of the results of the stakeholder dialogue, along with an analysis based on the impact that AFRY has on each sustainability topic. The most material sustainability topics according to the materiality assessment are:

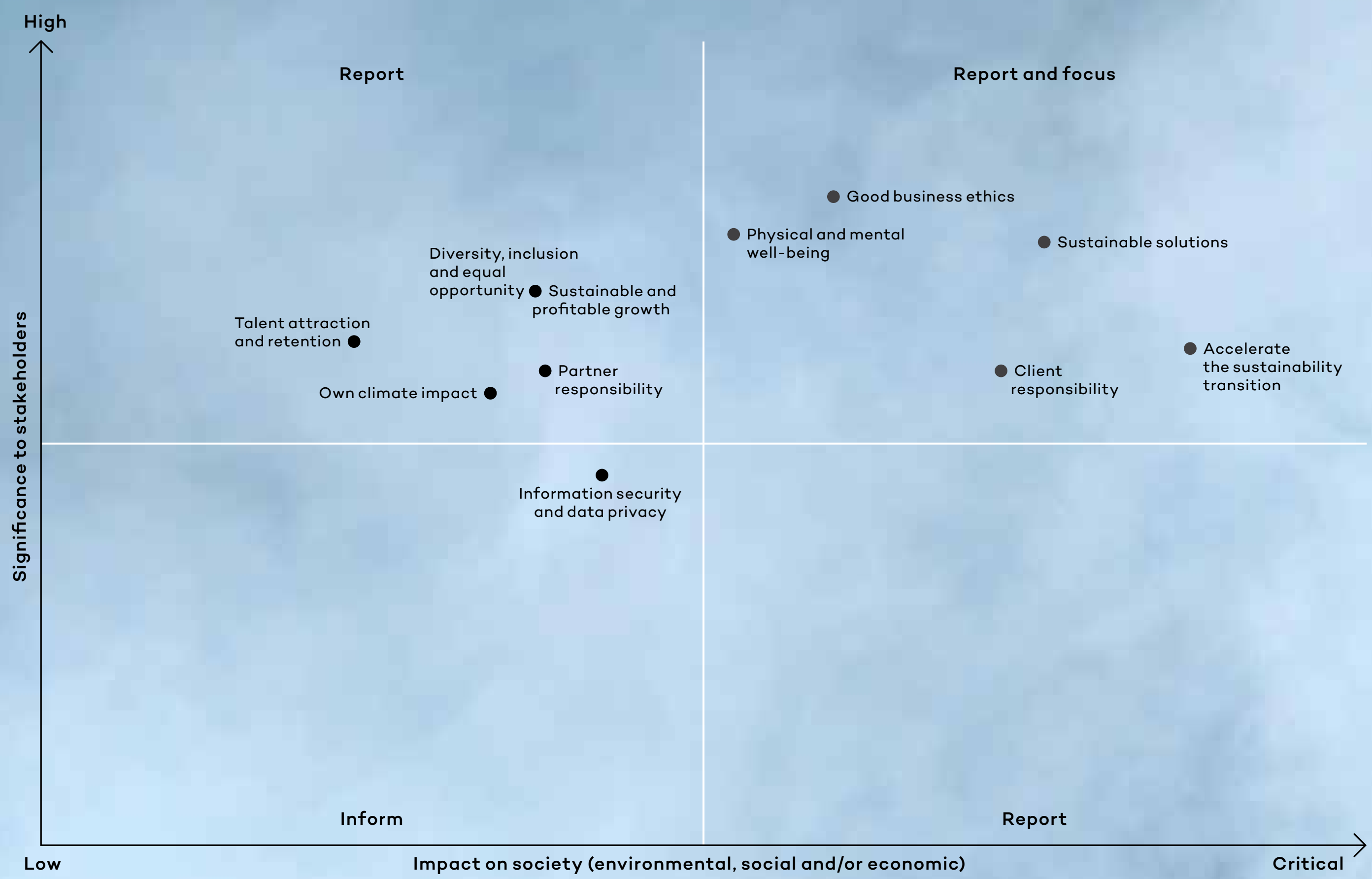
- Good business ethics
- Physical and psychological well-being
- Sustainable solutions
- Accelerate the sustainability transition
- Client responsibility

The result of the materiality assessment is presented in the illustration below. Delimitations for each sustainability topic are described in the report in the next section.

External evaluations of our sustainability initiatives

Studies and evaluations of our sustainability initiatives are important tools for clients, investors and other stakeholders. AFRY participates, both voluntarily and at the request of clients, in several studies and evaluations of our sustainability initiatives. In 2021, an evaluation was performed by Ecovadis and in June 2021 AFRY was awarded the Platinum level (score of 73/100) in their evaluation of our sustainability initiatives. This is the highest level, which places us among the top one percent of all companies evaluated by Ecovadis.

Materiality matrix



OUR SOLUTIONS

AFRY's sustainable solutions respond to global megatrends and social challenges such as climate change, rising sea levels, rising levels of extreme poverty, loss of biodiversity and increasing water stress. This occurs through our client assignments, that is, via deliveries of projects, services and digital solutions as well as cross-functional solutions, concepts and selected products that utilise the opportunities offered by digitalisation. Our Take-off strategy (see pages 10–11) points out that we should be a leader in sustainable solutions to boost our positive impact, drive growth and help our clients achieve their sustainability goals.

Based on our type of business, there is major potential for growth in segments that are critical to the sustainability transition and that meet the societal challenges. We focus on four transforming segments that show strong, long-term growth: Infrastructure, Food & Life Science, Clean Energy and Bioindustry (see page 15). The EU's Green Deal and taxonomy are also expected to direct capital flows to – and increase demand for – solutions that are classified as sustainable in line with the taxonomy, and, initially, solutions that make a significant contribution to the first two goals of climate change mitigation and climate change adaptation.

Our best opportunity to have a positive impact and to contribute to the transition to a sustainable society in line with the 1.5 degree ambition is through our assignments, and one of AFRY's sustainability targets is to increase the net positive impact of our client assignments to accelerate the sustainability transition. AFRY's solutions create values such as greater energy efficiency, increased use of renewable energy, resource efficiency, safe workplaces, improved health and safety, streamlined production processes, circular resource flows, increased accessibility, greater traffic safety, secure and inclusive societies and improved air and water quality. These values are reflected in the UN's 17 Sustainable Development Goals, and on pages 20–21 we present our contribution to the 2030 Agenda based on our four defined transforming segments.

The material sustainability topics of delivering sustainable solutions and accelerating the sustainability transition relate to the impact of our assignments from two dimensions: ensuring that sustainability aspects are identified and managed in our client assignments to maximise our net-positive impact from the solutions delivered, and actively seeking out business opportunities, strengthening our offering and growing in the transforming segments through innovation, emerging technologies and scalable solutions that accelerate the transition. A holistic approach, the assessment of both positive and negative impacts and the value chain perspective are central elements to addressing sustainability in our assignments. This is controlled through AFRY's business strategy, which is the foundation for AFRY's mission to accelerate the transition to a sustainable society. Read more about this on pages 10–11 and about the four defined transforming segments on pages 15–19. Our sustainability framework consists of these pillars: lead by example, transform the company and accelerate the sustainability transition by taking a leading position in the four transforming segments. Read more about this on pages 24–25. This is also controlled through our sustainability policy (see page 119) and within the context of the Code of Conduct Assessment process (see page 120).

Possibility to influence

The sustainability performance of our assignments is strongly linked to what the client defines and orders, and the opportunity to influence decisions early in the development process – already in the design phase – are crucial if AFRY is to be able to maximise positive values and minimise negative impact. Thanks to acquisitions of some of the most profiled design and architecture companies in the Nordics and a strong offering in strategic advisory services, we can enter our clients' strategy and development processes at an early stage, deliver more value and maximise the sustainability performance of our solutions. Digitalisation is an important enabler of greater resource efficiency and circular business models, and by strengthening our digitalisation offering (see page 22) we can drive the transition even more effectively via sustainable digital solutions in the segments that are facing major digitalisation.

Note S7: Sustainable solutions

The second pillar in our sustainability framework – transform the company – has to do with fully integrating sustainability into all AFRY assignments to generate long-term value for clients, the environment and society. It is expressed in AFRY's sustainability policy that we should increase our employees' knowledge and awareness of how they can contribute to sustainability through their daily work and through their assignments, that we should develop solutions and encourage our clients to implement solutions that contribute to the sustainability transition and the Global Goals, and that the precautionary approach shall be applied. This is critical to being able to increase the net positive impact of client assignments. The Code of Conduct Assessment process supports that risks and opportunities for potential assignments are to be assessed based on the UN Global Compact's 10 principles, the UN's 17 Sustainable Development Goals and the 1.5 degree ambition. Read more about the Code of Conduct Assessment process on page 120.

Our employees' awareness of how they contribute to accelerating society's sustainability transition through their assignments is monitored via the annual employee survey. The employee survey for 2021 showed that 65 percent of respondents responded positively to the question of whether they are aware of their contribution to AFRY's sustainability performance through their assignments or daily work, with 76 percent feeling that AFRY is working on and promoting sustainability topics.

The new Group-wide Sustainability Learning Programme is a central part of transforming the company, where the first part consists of a mandatory e-learning that was launched in January 2022. As at 28 February 2022, 75 percent of all employees had completed the e-learning (see table below). Rollout of the e-learning will continue during the first half of 2022. In 2022, the next stage of the Sustainability Learning Programme will be conducted by the divisions, which will consist of in-depth workshops in our areas of deep sector knowledge.

Sustainability training

	Managers		Consultants		Administrative staff		Total	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Sweden	776	75.3	4,247	72.9	193	81.4	5,216	73.6
Finland	213	88.0	1,379	87.0	81	88.0	1,673	87.2
Switzerland	97	76.4	507	74.3	40	74.1	644	74.6
Norway	376	93.5	2,126	90.2	121	75.6	2,623	89.9
Denmark	102	68.9	459	62.0	21	77.8	582	63.6
Other	77	87.5	399	79.5	16	61.5	492	79.9
Total	**1,641**	**80.6**	**9 ,117**	**78.0**	**472**	**79.2**	**11,230**	**78.4**

Permanent employees who have completed the new Group-wide, mandatory e-learning in sustainability. The course was launched on 14 January 2022. Outcome as of 28 February 2022.

Note S8: Accelerate the sustainability transition

The third pillar in AFRY's sustainability framework – accelerating the sustainability transition – concerns AFRY taking a leading position in the four transforming segments that shows strong, long-term growth: Infrastructure, Food & Life Science, Clean Energy and Bioindustry. Read more about the transforming segments on pages 24–25. AFRY's sustainability policy points out that we should actively seek transformative and innovative assignments to accelerate the sustainability transition, and it is within the four transforming segments that we anticipate strong and long-term growth. It is here that we expect to see an increase in demand for scalable, cross-functional and sustainable solutions which are made possible by digitalisation. By combining our design and engineering solutions in our areas of deep sector expertise, our strong offering in digitalisation and our sustainability knowledge, we can develop scalable solutions that accelerate the transition. AFRY has taken the strategic decision not to take on any new projects on new-build coal fired power plants from January 2021, and we will continuously evaluate our position and make strategic decisions in areas of our operations where we can make the biggest impact or with complex considerations to further increase our net positive impact.

The EU taxonomy

The EU taxonomy, which went into effect in July 2020, is a common classification system for environmentally sustainable economic activities in the EU. AFRY operates in many of the macro sectors covered by the EU taxonomy, and we are positioned to be an enabler to our clients to help accelerate the sustainability transition thanks to our deep sector knowledge and a service offering in several of the economic activities that are covered by the taxonomy. The EU taxonomy will support us in our efforts to understand which services and assignments accelerate the sustainability transition as well as to measure the share of our business that is eligible and aligned with the taxonomy and by this develop our business and better understand our impact.

According to Article 8 of the taxonomy regulation and the underlying delegated acts, AFRY shall report the proportion of taxonomy-eligible activities based on turnover, capital expenditures and operating expenditures for the 2021 financial year. Of the six environmental objectives covered in the taxonomy, there are detailed guidelines initially for the first two environmental objectives on climate change mitigation and climate change adaptation. These guidelines form the foundation of AFRY's estimation of the proportion of taxonomy-eligible activities (see the table below). The Group Sustainability, Group Accounting and Group Controlling functions have been responsible for the process of analysing the taxonomy and calculating the proportion of operations that are eligible according to the taxonomy regulation. AFRY's business is impacted since our assignments enable our clients to carry out economic activities that are included in the taxonomy. Our analysis shows that the proportion of our turnover that is associated with taxonomy-eligible activities are primarily within assignments in real estate, road and rail infrastructure, electricity production and distribution, water and waste water, and low carbon transport technology.

In 2022, work will continue on developing processes and system support for monitoring and reporting the proportion of taxonomy-eligible and taxonomy-aligned activities. This work will take into consideration the coming delegated acts and the technical screening criteria.

Proportion of operations subject to the taxonomy regulation

	Proportion of taxonomy-eligible activities (%)	Proportion of taxonomy-non-eligible activities (%)
Turnover	48	52
Capital expenditures[1]	2	98
Operating expenditures[2]	0	100

1) Includes property, plant and equipment; internally developed intangible assets; investment properties; agriculture; and leases.
2) Includes non-capitalised costs for research and development; property renovation; short-term leases; maintenance and repairs; and maintenance of property, plant and equipment.

Calculation methods for key indicators

Turnover
We enable our clients to execute activities as defined in the taxonomy through our services and solutions. AFRY's turnover from assignments associated with economic activities in the taxonomy are seen as taxonomy-eligible. Our assignments are classified in our CRM-system by sector and sub-sector. A mapping between this classification and the economic activities in the taxonomy has been made. In this process, several sub-sectors underwent a deeper analysis to determine the share of taxonomy-eligibile turnover. The precautionary approach was applied to this process. The proportion of AFRY's turnover that is taxonomy-eligible is based on the sum of the turnover from assignments mapped as taxonomy-eligible and AFRY's total turnover. The data set used for the calculations cover 92 percent of AFRY's total turnover due to limitations in the data collection process.

Capital and operating expenditures
Economic activities related to capital and operating expenditures, as they are defined in the taxonomy, are limited for AFRY's business operations since AFRY does not have any significant investments associated with the proportion of taxonomy-eligible turnover. The precautionary approach was applied to calculation of taxonomy-eligible capital and operating expenditures and only, for the business, material costs were included. The proportion of taxonomy-eligible capital and operating expenditures was analysed based on defined accounting standards and the costs defined in the taxonomy regulations. Capital expenditures that were analysed include property, plant and equipment; internally developed intangible assets; investment properties; agriculture; and leases. For AFRY, most of the taxonomy-eligible capital expenditures consist of leases for electric vehicles. Operating expenditures that were analysed include non-capitalised costs for research and development; property renovation; short-term leases; maintenance and repairs; and maintenance of property, plant and equipment. No material taxonomy-eligible operating expenditures were identified based on the taxonomy's prevailing definition.

OUR OPERATIONS

Our operations are to be managed in line with strict principles concerning business ethics, client and partner responsibilities, information security and data privacy, climate impact of business travel, energy consumption in offices and tax practices.

Note S9: Good business ethics

The material sustainability topic of good business ethics encompasses responsible business conduct, which includes areas such as anti-corruption and human rights, both in our own operations and in relation to our clients, business partners, employees and other stakeholders. Support for this is found principally in AFRY's Code of Conduct and Business Partner Criteria, but also in supplementary policies, guidelines and training courses. Read more about our Code of Conduct and training courses on page 119.

One of AFRY's sustainability targets is to ensure ethical operations. We follow up on this target by monitoring the number of employees who have taken the mandatory e-training course on AFRY's Code of Conduct (see page 120). The employee survey includes a question about whether employees feel their team is ensuring compliance with our Code of Conduct, and 86 percent responded positively to this question in the most recent employee survey. Targeted questions are also found within the framework of AFRY's tool for performance reviews called Career Model. During the year, 88 percent of employees said that they practice integrity and follow AFRY's Code of Conduct via the Career Model.

The target is also monitored by the degree of compliance with the Code of Conduct Assessment process (see page 120) and by the degree to which business partners that have been identified as high risk have undergone appropriate due diligence.

Anti-corruption

At AFRY there is zero tolerance for corruption and other forms of anti-competitive activities such as fraud. This is governed by our compliance and ethics policy and Code of Conduct along with our anti-corruption directive and other guidelines for preventive measures. Assignments that entail risks related to corruption are identified within the context of the Code of Conduct Assessment process (see page 120). To assess the corruption risk in countries where we are operating, we use a risk management tool adapted for AFRY. New employees undergo mandatory training in anti-corruption and prevention of conflicts of interest. All members of Group Executive Management have taken the e-training course on AFRY's Code of Conduct that contains anti-corruption training (see page 119). Read more about corruption risks in the risk section on page 61 and in the dispute section on page 111. Also see Note S4: Whistleblowing function, investigations and measures.

Human rights

AFRY shall safeguard human rights, and we apply the UN Guiding Principles on Business and Human Rights as reflected by our compliance and ethics policy, our Code of Conduct and our Human Rights & Modern Slavery Statement. During the year we also published a people policy based on respect for human rights. The right to integrity and privacy are fundamental human rights that AFRY works actively with in its operations. A Data Security Manager was hired during the year to strengthen this work and relevant training, guidelines and processes were updated. The risk of violations against other human rights within our own operations is assessed to be relatively low, as AFRY is a services company without any production operations. This issue can arise in association with our employees' rights in some countries where protections for human rights are weak and in certain types of assignments. For AFRY it is important that international guidelines are followed. To the extent that we can influence, we propose the Equator Principles and the IFC Performance Standards. When applicable, the results of the Environmental and Social Impact Assessment (ESIA) are used as the basis for project planning. Assignments that entail risks related to human rights are identified within the context of the Code of Conduct Assessment process (see page 120). See the risk section on page 61 to read more about risks related to human rights.

Note S10: Client responsibility

AFRY also takes active responsibility for the selection of clients and wants to serve as a role model, influencing clients to take a sustainable direction as much possible. We expect them to adhere to the same ethical principles, including human rights, working conditions, the environment and anti-corruption. AFRY can have a major positive influence on society by influencing clients in a sustainable direction or by not taking on assignments involving clients who do not adhere to our values, for example, businesses that have an undue impact on the environment, society or individuals due partly through their own operations or through their products or services. An active standpoint is ensured, for example, by conducting appropriate due diligence on high-risk clients, which occurs via the Code of Conduct Assessment process, which is based on the 10 principles of the UN Global Compact and our sustainability policy (see page 120).

Note S11: Partner responsibility

AFRY works actively with partner responsibility, which has a positive effect on the industries and contexts in which we operate. Partner responsibility is managed using AFRY's Business Partner Criteria based on the Global Compact's 10 principles. This was updated in 2020 and complemented in 2021 with a training course. The Business Partner Criteria ensure that AFRY's requirements relating to business ethics, health and safety, environmental responsibility, human rights and information security are clear to all of our business partners. The Business Partner Criteria should be attached to all of AFRY's agreements with subcontractors, suppliers and business partners. AFRY will not hesitate to discontinue a collaboration if the partner does not respect and live up to our criteria. AFRY applies a risk-based partner analysis to evaluate partners linked to high-risk projects and transactions. This is integrated into the Code of Conduct Assessment process.

In 2021, the purchasing process was updated to include a new Sourcing Directive, which replaces the previous purchasing policy. Evaluation and selection of suppliers is to be based on a weighted assessment of environmental and climate impact, quality, costs and social aspects, in which the Business Partner Criteria are a basic requirement. As a service provider of engineering and design solutions, most of our purchases are for office equipment, facility management services, IT equipment, licences, travel and services. We receive deliveries from some 30 prioritised suppliers of products and services relating to office management, travel, IT and communications, occupational healthcare and workwear, with whom we have framework agreements. In 2021, purchases amounted to around SEK 2,200 million. AFRY's largest suppliers are in Sweden and include Microsoft, Tieto and Telia. AFRY has framework agreements with the largest suppliers and these account for approximately 70 percent of the total purchase sum.

Note S12: Information security and data privacy

AFRY has a responsibility towards clients, individuals and our operating environment in the digital information community, which means we place strict requirements on our ability to manage cyber threats, continuity, privacy and security risks. Due to the Covid-19 pandemic, IT security and cyber security risks have taken on a new guise that places new demands on our company so that we can maintain a robust, large-scale, functional and secure manner of working. We continue to offer a hybrid working mode to our employees who chose to telecommute, which is particularly demanding on our IT security environment.

We initiated several security solutions in 2021 that should provide better protection but also ensure continuity, confidentiality and privacy. In 2020, we launched a new information and IT security policy that forms the foundation for AFRY's management system for information security, IT security and data protection as a continuous way to monitor and adapt our working methods. This is controlled via our information security program, which is constructed to comply with ISO 27001 and is part of AFRY's management system. Our clients are increasingly requiring ISO 27001 certification and preliminary work is being done to become certified in the short term but also to increase our competitiveness in the long term.

In 2021, we continued to strengthen our information security and cybersecurity programmes, including new training in data protection and information security. During the year, we appointed an Information Security Officer whose task is to take global responsibility for implementing our management system for information security in order to increase strategic and operative knowledge in the company on how to protect ourselves from new risks and threats. Rollout of the global information security programme was initiated and tested at the end of 2021 and the plan is to begin rolling it out globally in the first half of 2022. Information security also forms part of our Code of Conduct.

Note S13: Own climate impact

The sustainability topic of our own climate impact concerns the reduction of our operations' climate impact, which is mainly from carbon dioxide emissions due to business travel and energy use in offices. AFRY shall lead by example through high energy efficiency and low emissions intensity. AFRY has an environmental management system certified in line with ISO 14001 which ensures systematic environmental efforts, and management is ensured via the sustainability policy, travel directive and the health, safety, environment and quality policy. AFRY's carbon dioxide emissions are measured annually to follow up AFRY's climate targets. In 2021, AFRY's climate targets were revised with the development of the AFRY 1.5°C Roadmap and preparation of science-based targets according to the Science Based Targets initiative in line with the 1.5 degree ambition. AFRY's climate targets for its own climate impact are to halve carbon dioxide emissions by 2030 using 2019 as the base year (21,491 tonnes CO_2) and to achieve net zero emissions by 2040 (Scope 1 and Scope 3 emissions from business travel and Scope 2 emissions from energy use in offices). In 2021, new targets were also set for the supply chain, which steer towards more suppliers setting their own climate targets. The results of the climate calculations and the Group's climate efforts are reported annually to the CDP in the Climate Change category. In 2021, Group Executive Management accepted the new definition of net zero developed by the Science Based Targets initiative (Corporate Net-Zero Standard). This means that AFRY's emission targets adhere to established and science-based definitions.

AFRY 1.5°C Roadmap

In May 2020, AFRY joined the Exponential Roadmap Initiative, whose purpose is to help organisations and companies take measures in line with the 1.5 degree ambition. This is amongst other ways done by employing the 1.5°C Business Playbook, the world's first framework for exponential climate action towards net zero emissions. This includes our own emissions, emissions in the value chain, integrating climate in the business strategy and influencing climate action in society. In 2021, AFRY developed the AFRY 1.5°C Roadmap (see page 26 and afry.com), which formalises and supports AFRY's climate action based on the 1.5°C Business Playbook. The AFRY 1.5°C Roadmap is a roadmap for how AFRY should achieve its climate targets and to take climate action to the next level.

Science Based Targets

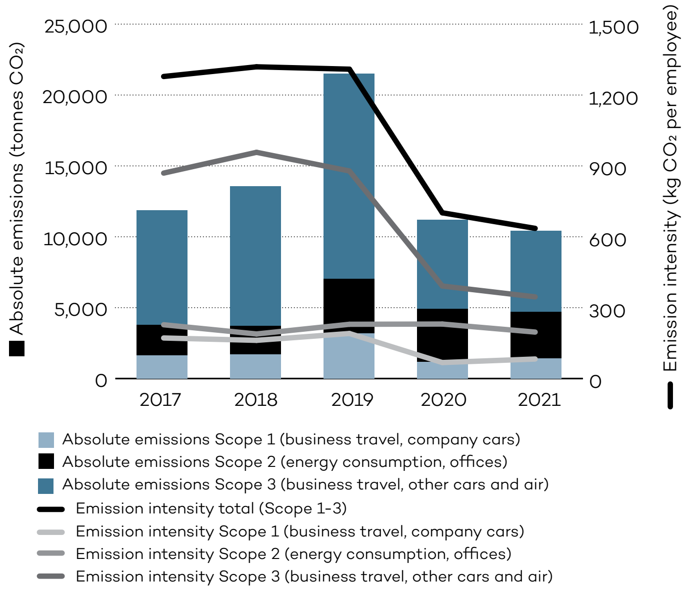
In 2020, AFRY committed to establish science-based targets in line with the 1.5 degree ambition. In 2021 these targets were developed and submitted to the Science Based Targets initiative (SBTi) for validation. The science-based targets developed during the year are based on an assessment of emissions from AFRY's value chain, a so-called Scope 3 screening. This means that emissions from the value chain are estimated in order to motivate that a large enough portion of AFRY's emissions are included in the emission-reduction target. Emissions from AFRY's value chain originate mainly from business travel, commuting and purchase of goods and services. Business travel has for a long time been included in AFRY's climate targets. As a result of the assessment of AFRY's value chain emissions, a new target was set for the supply chain, which steers towards more suppliers setting their own climate targets. Within the scope of the task to set science-based targets, the base year was revised from 2016 to 2019 to account for changes that came with the merger of ÅF and Pöyry and to avoid the effects of the Covid-19 pandemic. The allocation of which emissions fall under which Scope according to the Greenhouse Gas Protocol was also reviewed, where emissions from privately owned cars and rental cars were moved from Scope 1 to Scope 3. This reallocation is motivated by the guidance presented in the Greenhouse Gas Protocol, criteria for target setting by the Science Based Targets initiative (SBTi) and that it appears as the most common arrangement in the consolidation method (organisational control), which AFRY applies.

Outcome

In 2021, AFRY's total calculated emissions amounted to 10,428 tonnes CO_2, compared to 11,214 tonnes CO_2 in the previous year and 21,491 tonnes CO_2 in base year 2019. Emissions per employee amounted to 641 kg CO_2, which is a reduction of just over 8 percent compared with the previous year. The reduction in total emissions for the year is explained partly by further adaptation to the pandemic where the need for travel continued to decrease and partly by better data collection from updated and newly launched operating systems. Compared to the previous year, emissions per employee for business travel by air declined by 17 percent. Emissions per employee from energy consumption in offices decreased by around 14 percent compared with the previous year.

In 2021, control, objectives and system support for climate efforts

Greenhouse gas emissions



Greenhouse gas emissions

Scope according to Greenhouse Gas Protocol	Absolute emissions (tonne CO_2)			Emission intensity[1] (kg CO_2/employee)		
	2021	2020	2019	2021	2020	2019
Scope 1	1,428	1,165	3,198	88	73	196
Scope 2	3,283	3,750	3,835	202	236	235
Scope 3	5,718	6,298	14,457	351	397	884
Total	**10,428**	**11,214**	**21,491**	**641**	**706**	**1,315**

AFRY's target is to cut carbon dioxide emissions in half by 2030 compared to the 2019 base year (21,491 kg CO_2) and achieve net zero emissions by 2040.

1) Based on all types of employment.

Greenhouse gas emissions per employee and division, business travel

kg CO_2/employee[1]	Car travel	Air travel
Infrastructure	289	141
Industrial & Digital Solutions	349	90
Process Industries	266	137
Energy	256	226
Management Consulting	580	189
Group Common	122	184
AFRY total	**298**	**141**

Based on actual data (>85%) and interpolated data for completeness as per the Greenhouse Gas Protocol. Car travel concerns business travel via company cars, privately-owned cars or rental cars.

1) Based on all types of employment.

Greenhouse gas emissions per employee, AFRY's domestic markets

kg CO_2/employee[1, 2]	2021	2020	2019
Sweden	429	560	791
Finland	689	875	1,982
Switzerland	831	1,003	1,839
Norway	584	375	1,831
Denmark	678	571	1,391
AFRY total	**641**	**711**	**1,315**

1) Based on all types of employment.
2) Figures for countries other than Sweden and Finland and for Finland in 2018 should be read with caution due to uncertain data quality. Comparability between years is limited due to organisational changes and the development of the methodology.

were advanced to handle emissions from business travel. This includes a new travel directive, stricter emission targets and work to improve monitoring of CO_2 data in our IT systems throughout our business lines. In 2022, a new global policy aimed at business travel is to be developed. Going forward, particular focus will be aimed at adapting control, objectives and guidelines linked to the supply chain, office operations and planning of offices to align with the new conditions expected after the pandemic, where a new pattern is predicted in terms of working from home and meeting clients. In addition, particular focus will be aimed at implementing and monitoring measures that reduce emissions.

Emission of carbon dioxide from business travel

Emissions of carbon dioxide from business travel account for a large part of AFRY's total emissions as the Group is a large organisation with employees who have assignments all over the world. One challenge for AFRY is that the more the business expands, the more travel increases. There is a new global travel directive that aims to reduce emissions from business travel, while the Swedish part of the business has had a vehicle policy in place for a while (see below). We are also working to expand the use of technical communication solutions wherever possible, instead of physically traveling to meetings. In addition, local initiatives relating to sustainable mobility solutions are being implemented based on local conditions and needs. Some examples are bike share and electric car share schemes, as well as public transit cards that can be borrowed for business trips.

The climate calculations show that in 2021 emissions from business travel per employee decreased by just over 25 percent for the Swedish part of the business compared to the previous year. In 2021, the average emission level for vehicles used in business travel in the Swedish part of the business was 66 g CO_2/km, which is roughly a 15 percent reduction from 2020. For the entire Group, emissions per employee from business travel decreased by just over 6 percent. Emissions per employee from business travel by car decreased by about 1 percent, while emissions from business travel by air decreased by around 17 percent. The reduction in air travel is probably due to working methods being adapted to a reduced need for air travel as a consequence of the Covid-19 pandemic and the restrictions that nations and the private business sector were subject to during the year to prevent the spread of the Covid-19 virus. The reduction in business travel by car is too small to be significant. It is an indication that a more efficient vehicle fleet is being utilised, but the reduction can also be due to improved data collection methods.

Going forward, management of business travel will be reviewed on a global basis. The aim is to apply a purpose-driven mobility perspective that promotes sustainable travel.

Travel directive

The travel directive that applies to business travel within the Group was updated in 2021. The travel directive conveys clear global guidelines for planning, booking and undertaking business travel. The aim of the directive is to ensure that the company's business travel is conducted in an efficient way and that the environmental impact and travel-related risks linked to employees' well-being are minimised. The basic principle is that all business travel must be justified, in the sense that there needs to be a clear business purpose for the trip. The potential for a virtual collaboration must always be evaluated with the aim of reducing climate impact, travel-related risks and costs. The new directive also covers group arrangements, which must be planned and implemented in a sustainable way that balances environmental, social and financial dimensions.

Vehicle policy

AFRY's vehicle policy regulates the choice of on-demand, personnel and company cars for the Swedish part of the business, with the aim of transitioning to a fossil-free and injury-free fleet of vehicles by 2030. The emissions limit for 2021 was 95 g CO_2/km (WLTP). The average emission level for vehicles covered by the vehicle policy was 45 g CO_2/km for new vehicles and 65 g CO_2/km for all vehicles, which is a 28 percent reduction from 2020. The emissions and safety requirements are being tightened in 2022 to a maximum of 60 g CO_2/km in line with our long-term goal, meaning we will continue to be below the EU's 2022 target, and only models rated with five stars by EuroNCAP from 2017 onwards will be approved.

Energy use in offices

Energy use in AFRY's offices also causes carbon dioxide emissions. Where AFRY controls the choice of electricity supplier, centrally procured electricity contracts with entirely renewable energy sources (as defined in EU Directive 2009/28/EC) have been in use for the last seven years for the offices in Sweden that were used by the former ÅF. The agreements now cover an estimated 61 percent of AFRY's total office space in Sweden. In 2021, 33 percent of the energy used in offices in Sweden came from renewable energy sources, which is unchanged from 2020. In the scope of the annual climate calculations, we monitor and measure energy use in seven additional countries, meaning that the data covers the eight countries where the majority of AFRY's employees are stationed. Actual energy use for office space in other countries is not measured. Energy use for offices in these countries is instead calculated using standard amounts based on data for countries other than Sweden and Finland.

Energy use in offices amounted to 35,000 MWh in 2021, of which 17,000 MWh was electricity and 18,000 MWh was heating and cooling. The climate calculations show that total emissions from energy consumption at offices decreased by around 20 percent in 2021 across the entire Group. Emissions per employee increased for the Swedish part of the business by around 10 percent, while for the Group as a whole it decreased by 14 percent. Compared to the 2019 base year, emissions per employee for the entire Group decreased by around 15 percent for 2021.

Calculation methods for greenhouse gas emissions

The calculations of AFRY's greenhouse gas emissions follow the guidelines of the Greenhouse Gas Protocol. AFRY's emissions under Scope 1 refer to direct emissions of greenhouse gases generated from our business travel with company cars operated by employees: account- and benefit cars and service cars. Data is collected from the eight countries with the most employees: Sweden, Finland, Switzerland, Norway, Brazil, Germany, the UK and Denmark. The Swedish operation's account-, benefit- and service cars are based on calculated, detailed emission data per car from AFRY's supplier of vehicle administrative services. For other countries, data is collected from our operating system as kilometres driven or cost for fuel. The aggregated data is used as a basis for estimating AFRY's total emissions, including those countries from which data have not been collected.

AFRY's emissions under Scope 2 refer to indirect emissions of greenhouse gases generated from our energy consumption, including electricity purchased for our businesses and properties as well as heating and cooling. Energy data is collected from the eight countries with the largest number of employees. The aggregated data is used as a basis for estimating the total emissions from AFRY, including those offices and countries from which data have not been collected. The market-based method was used to calculate energy-related emissions, which means that the calculations consider whether the purchased electricity was origin-labelled. For electricity use in Sweden and Finland, the emission factor for origin guarantees is used where such is purchased (0 g CO_2/kWh), otherwise residual mix is used (250.76 g CO_2/kWh for 2019). For other Nordic countries, Nordic electricity mix is used (50 g CO_2/kWh). For countries outside the Nordics, European electricity mix is used (432 g CO_2/kWh). In cases where district heating is used in Sweden, emissions are calculated from the local production mix. For offices in Finland, Norway and Denmark using district heating, the same emission is assumed as from average Swedish district heating production. Offices outside the Nordics are assumed to be heated with electricity.

AFRY's estimated emissions under Scope 3 concern other indirect emissions of greenhouse gases and include our business travel by air, privately owned cars and rental and pool cars. Other emissions are also generated from AFRY's supply chain, but they are not measured and are not part of AFRY's emission reduction target to achieve net zero emissions by 2040. Emissions from purchased goods and services are included in the new target for the supply chain, which steers towards more suppliers setting their own climate targets. There is also some impact from other categories like waste, but because they account for a marginal part of our overall impact and data collection requires considerable resources, we prioritise the most significant source of Scope 3 emissions where we have the best opportunity to make a difference, namely business travel by air and car. Emissions data relating to air transportation for Sweden and Finland are obtained from the travel agency, supplemented with data from AFRY's accounting system for airline ticket expenses. For offices outside Sweden and Finland, emissions from air travel are calculated based on kilometres travelled where data is available. Emissions per kilometre flown are assumed to be the same as the average for trips booked via the travel agency in each country. Air travel data is collected from the eight countries with the largest number of employees. For rental and pool cars, emissions data is supplied from travel agencies, supplemented with data from AFRY's accounting system for rental and pool car expenses. For privately owned cars, the Swedish Environmental Protection Agency's emission factors are used (0.112-0.172 kg CO_2/km depending on vehicle type). For the Finnish operations, data is used for kilometres travelled from the accounting system and from the car hire supplier together with the Environmental Protection Agency's emission factor for general passenger cars in Finland (0.17 kg CO_2/km). Data from other operations that were measured are obtained as driven kilometres through questionnaires from the administrative function in each country, where the Swedish Environmental Protection Agency's standard values for calculating greenhouse gas emissions are used. The aggregated data is used as a basis for estimating the total emissions from AFRY, including those countries from which data have not been collected. The structure of existing systems makes the quality of information from countries other than Sweden and Finland unreliable. Air travel emission factors used are based on standard values from the Network for Transport and Environment (NTM). Air travel emissions are not adjusted for high altitude effects using the RFI factor.

OUR EMPLOYEES

AFRY's employees are our greatest asset. Attracting and retaining talent, working proactively on diversity, equality and inclusion and prioritising employees' health at work and their work-life balance are crucial aspects of our ability to develop in line with our vision and strategy. Read more on pages 30–33.

Note S14: Physical and mental well-being

At AFRY, our employees are our greatest asset. This is why we work proactively to ensure that all those who work at AFRY, whether they are a manager, employee or subconsultant, have a positive, safe and healthy work environment and that our employees feel they have a good work-life balance. Health and safety are important to management, employees, partners and other stakeholders, as a good work environment for AFRY's employees ensures both sustainable results and long-term relationships.

AFRY's health, safety, environment and quality policy forms the basis of our global work environment initiatives. The policy covers every aspect of these initiatives and is updated as changes arise in our operating environment. When entering each new agreement or business opportunity, AFRY places requirements both on its own and its clients' health and safety. A fundamental part of our work is that clients' work environments and values also reflect AFRY's values, and this is something on which we place strict requirements.

During the year, an initiative was taken to do an analysis of AFRY's overall health and safety efforts during the year. The analysis showed that there is a structure and method for how work should be organised and performed. However, there is a need to clarify the overall framework through clearer directives, division of responsibility and follow up as well as supporting network-building and learning within the organisation. Based on the analysis, Group Executive Management took the decision to appoint a supervisor at Group level to lead and develop health and safety efforts in the organisation in order to support development of these efforts going forward.

We noted an increase in reported issues during the year in our incident management system for major incidents and crises. Our method of reporting and following up serious incidents is being developed due to a changed risk landscape but also as a consequence of our growth. We worked on determining how to strategically and operatively control and regulate major incidents and crises in 2020–2021. An adapted incident and crisis programme for this was developed and will be rolled out in 2022 supported by country managers and the risk and security function in close cooperation with the HR organisation.

Preventive working method

AFRY has a health and safety management system that includes routines for communication, reporting, risk identification and safety inspections. Within the framework of the management system, global follow-ups are conducted each quarter of the work being done on health and safety, which is presented to Group Executive Management and the Board of Directors. Managers, employees and subconsultants engage in the health and safety work by attending joint forums, meetings and activities. There are also employees present in each country who are specialised in work environment issues and who continuously develop, inform and manage issues linked to this area. It is important for anyone who works at AFRY to have thorough knowledge of work environment issues. To ensure that employees and business partners have access to and skills within this area, information is available via AFRY's "Quick guide to occupational health and safety" and courses in occupational health and safety.

Good health and well-being

One of AFRY's sustainability targets is to safeguard employees' health at work and their work-life balance. We continuously follow up on this by way of regular health checks via our occupational healthcare service (in Sweden), regular discussions between managers and employees, follow-up of work environment-related statistics and the annual employee survey. The employee survey includes questions concerning the work environment and an index for psychosocial work environment – Organisational and Social Work Environment Index (OSI). The OSI outcome for 2021 was 80 compared to 78 for 2020. There are also procedures governing how matters relating to alcohol and drug problems are to be managed and clear procedures for how rehabilitation and preventive health measures are to be carried out.

In the countries in which AFRY operates, we make various efforts to incorporate the work environment guidelines named in our health, safety, environment and quality policy. This also applies to the arrangement surrounding occupational health services, which includes health checks and wellness contributions.

Outcome

Our measurements of the physical work environment are based on Total Recordable Injuries (TRI) and related sub-categories, for example Restricted Work Case (RWC), Medical Treatment Injury (MTI), Minor Injury, Lost Time Injury (LTI) and Fatalities (F). After several years of improvement, we can see that progress has stagnated and deteriorated somewhat regarding the number of accidents. However, the level is still low and the accidents that occurred did not lead to any fatalities or serious consequences among AFRY's employees.

The Covid-19 pandemic continued to impact AFRY and our employees in 2021. During the year, we closely followed the differing guidelines in countries in which we operate and adapted our actions accordingly. Different countries have handled the pandemic in different ways, but one aspect common to many of our employees is that office work has been replaced by working from home. This has

Gender and age distribution

	2021[1]					2020[1]				
Distribution in %	**Women**	**Men**	**Age <30**	**30–50**	**>50**	**Women**	**Men**	**Age <30**	**30–50**	**>50**
Board of Directors[2]	37.5	62.5	0.0	0.0	100.0	33.3	66.7	0.0	11.1	88.9
Group management[3]	40.0	60.0	0.0	40.0	60.0	40.0	60.0	0.0	50.0	50.0
Managers	23.5	76.5	1.1	65.5	33.3	23.1	76.9	0.9	67.1	32.0
Consultants	27.0	73.0	17.3	59.3	23.4	26.3	73.7	17.3	59.0	23.7
Administrative staff	72.7	27.3	13.6	52.2	34.2	70.3	29.7	11.8	53.1	35.1
Total	**28.5**	**71.5**	**14.9**	**59.9**	**25.2**	**27.8**	**72.2**	**14.9**	**59.8**	**25.3**

Permanent employees.
1) Excluding employee records without data on gender (27 employees in 2021, 160 employees in 2020) or age (226 employees in 2021, 214 employees in 2020) due to local regulation.
2) Excluding employee representatives. The proportion of women on the Board of Directors, including ordinary employee representatives, is 41.7 percent for 2021 and 33.3 percent for 2020.
3) Figures for 2020 relate to distribution on 1 January 2021.

Number of employees by type of employment, gender and our largest markets

	Permanent employment			Other temporary			All forms of employment		
AFRY's largest markets	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**
Sweden	2,030	5,222	7,252	275	604	879	2,305	5,826	8,131
Finland	565	1,219	1,784	95	364	459	660	1,583	2,243
Switzerland	202	667	869	26	64	90	228	731	959
Norway	285	617	902	6	12	18	291	629	920
Denmark	142	462	604	13	19	32	155	481	636
Other	850	2,041	2,891	233	965	1,198	1,083	3,006	4,089
Total	**4,074**	**10,228**	**14,302**	**648**	**2,028**	**2,676**	**4,722**	**12,256**	**16,978**

Excluding employee records without data on gender (41 employees) due to local regulation. The total number of employees is 17,019.

Age distribution

	2021[1]		2020[1]		2019[1]	
Age distribution in %	**Women**	**Men**	**Women**	**Men**	**Women**	**Men**
–29	6.3	10.7	5.7	10.5	6.1	11.8
30–39	9.7	22.4	9.4	22.3	9.0	22.6
40-49	6.3	16.7	6.3	17.2	6.2	16.7
50–59	4.2	14.0	4.3	14.4	4.0	13.8
60–	1.5	8.3	1.4	8.5	1.3	8.5
Total	**27.9**	**72.1**	**27.1**	**72.9**	**26.6**	**73.4**

All forms of employment.
1) Excluding employee records without data on gender (41 employees in 2021, 186 employees in 2020, 141 employees in 2019) or age (249 employees in 2021, 236 employees in 2020, 238 employees in 2019) due to local regulation.

Percentage of women per division

%	Consultants	Managers	Administrative staff	Total
Infrastructure	32.5	22.9	79.5	32.2
Industrial & Digital Solutions	22.1	17.9	83.6	22.8
Process Industries	23.1	21.1	83.1	24.3
Energy	19.0	16.3	49.6	20.7
Management Consulting	31.1	20.9	69.2	30.1
AFRY AB	35.8	51.1	69.9	58.9
Total	**26.4**	**22.7**	**71.1**	**27.8**

All forms of employment.
Excluding employee records without data on gender (41 employees) due to local regulation.

Employees by capacity utilisation rate and gender

	Women	**Men**	**Total**
Part-time employees	571	576	1,147
Full-time employees	3,503	9,652	13,155
Total	**4,074**	**10,228**	**14,302**

Permanent employees.
Excluding employee records without data on gender (27 employees) due to local regulation.

created new challenges and conditions for AFRY's work environment initiatives. Just as in the rest of society, we have had cases of Covid-19 infections and sickness among our employees. Both Group wide and local guidelines have been prepared to ensure contact tracing is done and measures are taken.

Health, safety and sickness absence

	2021	2020
LTIF[1]	**0.63**	**0.62**
Accidents with fatal outcome (F)	0	0
High consequence LTI [3]	0	0
LTI[2] total	20	17
TRIF[3]	1.20	1.05
Hours worked (million)	31.34	27.51
Sickness absence[5] (%)	**2.31**	**2.29**

All forms of employment.
[1)] LTIF (Lost Time Injury Frequency) defined as (F+LTI)/million hours worked.
[2)] LTI (Lost Time Injury), number of work-related accidents entailing absence longer than one day from the day following the accident.
[3)] LTI with serious consequences, defined as the number of work-related accidents with a fatal outcome or with an actual or expected absence of longer than six months.
[4)] TRIF (Total Recordable Injury Frequency), defined as (F+LTI+RWC+MTI)/million hours worked.
[5)] Based on the total number of reported hours (31.62 million in 2021 and 30.78 million in 2020).

Note S15: Diversity, inclusion and equal opportunity
AFRY strives to increase diversity and gender balance to get the best people, secure long-term growth and profitability, and to create a good working environment and high-performance teams. Read more about our diversity, equal opportunity and inclusion initiatives on pages 30–33. One of AFRY's sustainability targets is increasing inclusion and diversity of background and culture, including achieving gender balance among all employees and reaching 40 percent women in leading positions by 2030. The outcome for 2021 is presented on page 129. Efforts will be intensified by way of training sessions in diversity, equal opportunity and inclusion for managers and recruiters. Going forward, focus will be on equal opportunities in relation to professional and leadership development regardless of background and gender, and on active efforts to strengthen our employer brand and highlight AFRY as an inclusive employer.

Two distinctions that AFRY received in 2021 are Allbright's Gröna Listan (Green List), where AFRY has achieved a relatively even gender balance in its management team (40/60), earning a place on the Allbright Foundation's green list. To demonstrate that AFRY stands up for a world in which the human rights of all LGBTQI+ persons are respected, work on increasing familiarity with and awareness and knowledge of LGBTQI+ issues was initiated in 2021. In the autumn of 2021, work on bolstering and improving global inclusion and diversity efforts was initiated by developing a toolbox. The toolbox is for both managers and employees and will be a platform for education and inspiration, where everyone will be able to receive training in how to be an ambassador for inclusion and diversity. The content is based on all seven discrimination criteria with particular focus on increasing the proportion of female and non-binary employees and managers.

Outcome from the annual employee survey

	Target	2021	2020
Engagement index[1]	>80	78	77
Leadership index[1]	>82	82	80
Attractive employer index[2]	>25	29	25

[1)] Scale of 0 to 100. Based on average value of targeted questions on engagement and leadership.
[2)] Scale of -100 to +100. Based on Employee Net Promoter Score question.

Regular performance reviews

Employees who received regular evaluation and follow-up of their performance and career development (%)	Women	Men
Managers	59.3	61.1
Consultants	61.4	60.9
Administrative staff	59.2	55.3
Total	**60.9**	**60.8**

Permanent employees who completed performance reviews via the Career Model. Excluding employee records without data on gender (27 employees) due to local regulation.

Professional development

Hours of training/employee	2021	2020	2019
Hours of training	514,300	452,874	544,835
Average full-time equivalents (FTEs)	14,680	15,271	15,527[1]
Total hours of training/employee	**35.0**	**29.7**	**35.1**

Permanent employees.
[1)] Includes employees for all of 2019 for the former Pöyry.

Employee turnover

	Women		Men		Total	
	Number	Percent	Number	Percent	Number	Percent
Sweden	393	19.4	1,048	20.1	1,441	19.9
Finland	48	8.5	105	8.6	153	8.6
Switzerland	33	16.3	76	11.4	109	12.5
Norway	29	10.2	102	16.5	131	14.5
Denmark	19	13.4	70	15.2	89	14.7
Other	82	9.6	171	8.4	253	8.8
Total	**604**	**14.8**	**1572**	**15.4**	**2176**	**15.2**

Permanent employees.
Excluding employee records without data on gender (5 employees) due to local regulation.

New hires

	Women		Men	
	Number	Percent	Number	Percent
Sweden	305	27.4	810	72.6
Finland	91	39.6	139	60.4
Switzerland	29	24.6	89	75.4
Norway	51	29.0	125	71.0
Denmark	38	24.5	117	75.5
Other	213	28.0	547	72.0
Total	**727**	**28.5**	**1,827**	**71.5**

Permanent employees.
Excluding employee records without data on gender (7 employees) due to local regulation.

Harassment is totally unacceptable at AFRY and there is zero tolerance for discrimination just as there is for other human rights violations. All employees should know this and anyone affected should know where they can turn for help and to initiate an investigation. AFRY's equal treatment and diversity policy, Code of Conduct, procedures and guidelines all address forms of harassment such as bullying or discrimination. It is essential that AFRY's equal treatment and diversity policy is followed and for harassment and discrimination not to be tolerated in any form. Inappropriate behaviour, including harassment and discrimination within AFRY, is handled by the local units' HR managers and managers in charge according to national law, and necessary measures are taken in accordance with the law and AFRY's policies. Matters reported via the whistleblowing function are managed locally and followed up by the Chief Compliance & Ethics Officer. In 2021, 16 cases relating to inappropriate behaviour were reported via the whistleblowing function (see page 120).

The annual employee survey includes questions about areas such as discrimination, equal opportunities and how employees perceive their line managers' efforts to ensure inclusion and diversity. The 2021 employee survey showed that 91 percent of respondents perceived that there are equal opportunities for all at AFRY, while 88 percent felt that their line manager actively promotes inclusion and diversity. Of those who responded to the survey, 2 percent said that they had experienced bullying, discrimination or sexual harassment at work during the past 12 months, out of which 62 employees stated that they had felt discriminated against. Responsibility for monitoring the results of the employee survey lies with each division's HR manager, who is provided with the results for their division. The results indicate those parts of the business where special focus needs to be directed. However, the possibility of dealing with the issue of discrimination is limited to the information provided by employees in the survey.

Note S16: Talent attraction and retention

AFRY's people policy states that AFRY should work towards responsible, healthy, safe and fair working conditions with equal opportunities for all of our employees. Diversity and inclusion are at the core of our personnel policy, and with bold leadership, where our employees are provided with opportunities for long-term development and broad career opportunities, we strive to be and be perceived as a good, attractive employer to retain and recruit committed employees and the best talent. Read more on pages 30–33.

A total of 10,484 employees (of which 8,103 in Sweden) were covered by collective agreements at year-end, which is 61.6 percent of all employees. In the entire business, employment conditions are competitive in the local market and comply with local regulations.

Two of AFRY's sustainability targets are empowering brave leadership and increasing employee engagement. These are followed up within the framework of the annual employee survey through the index for engagement, leadership and attractive employer. The outcome for these is presented on page 130.

To create clarity around expectations and goals, address well-being and identify development activities, each employee and manager should have goal and development dialogues. In the employee survey, 84 percent responded that they had had performance reviews with individual development plans during the past 12 months. The Career Model tool also provides structured support for the dialogue, where reflection and feedback on leadership, values and ethical behaviour is also expected. At least one conversation per year that includes goals and a development plan should be registered in the tool.

OTHER INFORMATION

Note S17: Direct economic value and tax

AFRY creates value through the solutions we deliver to our clients. Net sales comprise most of the economic value generated. The distributed economic value is allocated among suppliers, employees, lenders, society and owners. The largest portion of our distributed economic value is employee wages and benefits.

Table: Economic value creation

Economic value generated, SEK million	2021	2020	2019
Net sales	20,104	18,991	19,792
Distributed economic value, SEK million			
Operating costs, incl. depreciation/ amortisation	-6,445	-5,857	-6,971
Employee wages and benefits	-10,503	-10,113	-10,018
Income tax and employer's contributions	-2,027	-2,026	-1,983
Dividend	-566	-	-560
Interest on loans	-71	-97	-97
Interest on pensions	0	-1	-1.5
Value of societal investment[1]	-3	-2	-7.7
Economic value retained	490	895	154

1) Only Group-wide sponsorship and contributions.

Tax policy

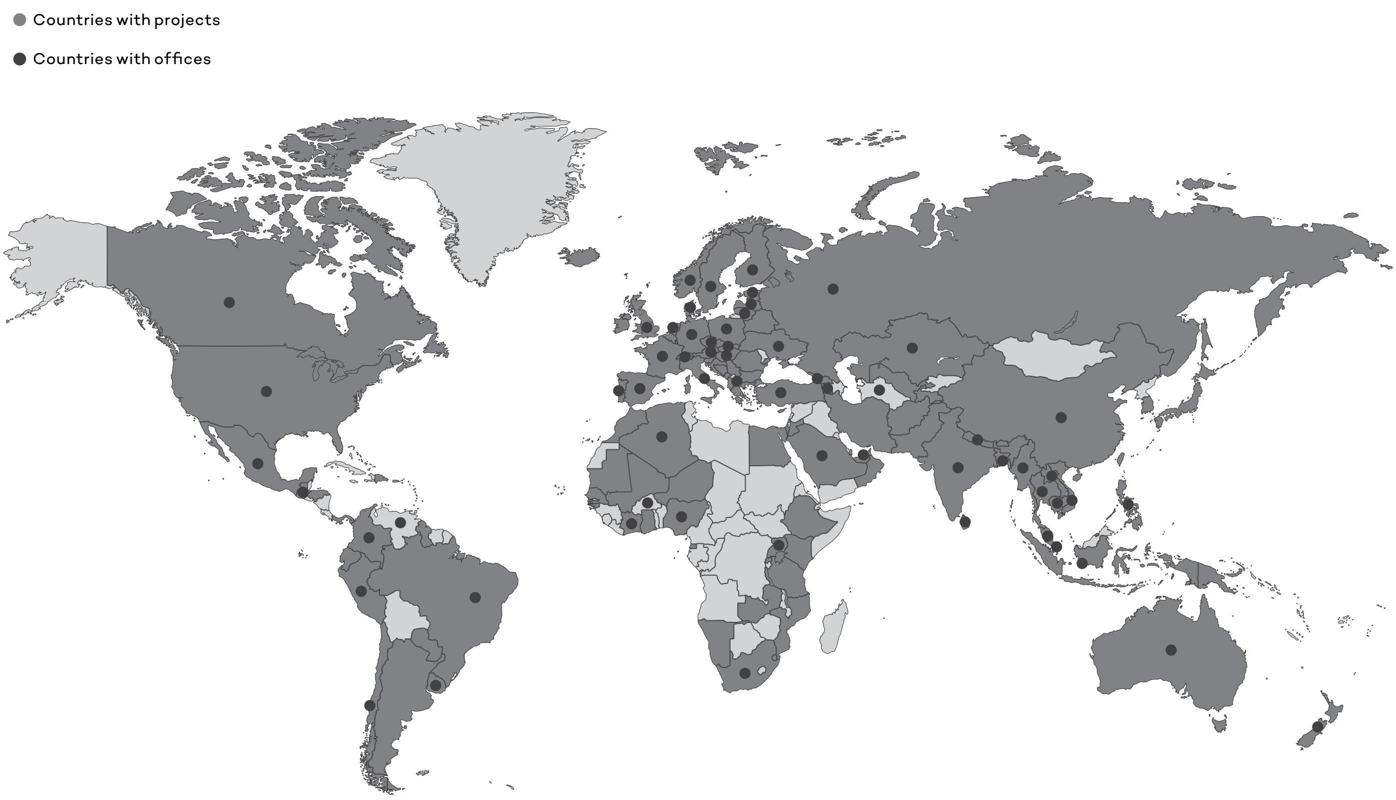
AFRY is a global tax payer that complies with the OECD guidelines for multinational companies and applicable local tax legislation and regulations in the countries in which we operate. AFRY seeks to pay the correct tax to the correct jurisdiction at the correct time to ensure transparent tax activity. Any mistakes caused by human error and/or regulation interpretations are communicated openly and reported to the relevant authorities. AFRY operates as a good citizen and does not engage in, nor abet others to engage in, any form of money laundering or tax evasion. All documents are stored to accurately reflect business transactions and facilitate audits. AFRY's principles for responsible tax practices are governed by our compliance and ethics policy and AFRY's tax manual.

Note S18: Strategic partnerships and community engagement

AFRY is active in and is a member of several initiatives and strategic partnerships to empower, influence and drive sustainable development. Our sustainability policy states that we are to work to share knowledge and expertise by investing in collaborations and partnerships. Some of the commitments and partnerships in which AFRY participated in 2021 are named below. Read more about our partnerships on pages 34 and 37.

- **CLC:** Membership in CLC, Climate Leadership Coalition – Europe's largest non-profit network for a more sustainable society. CLC is supported by companies, universities, researchers and private individuals, among others.
- **Gapminder:** This collaboration focuses on identifying knowledge gaps in society to share new knowledge and accelerate change. In 2021, Gapminder marketed a new knowledge test based on the UN's 17 Sustainable Development Goals with help from AFRY.
- **Exponential Roadmap Initiative:** AFRY has been a member of the Exponential Roadmap Initiative since 2020. The initiative developed the 1.5°C Business Playbook for Exponential Climate Action, which aims to encourage companies and organisations to adapt their climate strategies to the 1.5 degree ambition.
- **UNICEF:** AFRY donates to UNICEF to support their work to strengthen children's rights and opportunities for a happy childhood.
- **Royal Swedish Academy of Engineering Sciences (IVA):** AFRY takes part in the Royal Swedish Academy of Engineering Sciences' Tekniksprånget internship programme, which contributes to long-term talent management in Sweden. Its aim is to inspire young adults to undertake engineering studies in higher education via internships. We also participate in the national academic programme Jobbsprånget, in which we open our operations to newly arrived academics and offer them support from mentors and their first professional experience in Sweden.
- **Government collaboration programmes:** EVP and Head of Infrastructure Division Malin Frenning is participating in the Swedish government's collaboration programme to promote collaboration between the government, private sector and academia as part of efforts to achieve a better climate. AFRY's previous Head of Sustainability Marie Trogstam participated in the work group for measurability and definitions, which held discussions on issues such as a joint approach to measuring climate neutrality, positive and negative impacts, impact targets and avoided emissions.
- **Immigrated Competence:** The company has been offering a trainee programme since 2016 aimed at engineers who have recently immigrated to Sweden as a way of bringing valuable skills to the company.
- **Norrsken:** Partnership to increase knowledge of important social issues and interaction around the development, digitalisation and scaling up of solutions vital for the transition.
- **Diversity Charter:** Member of Diversity Charter, which works to create a world in which different ideas, expertise, experiences and skills count and where difference is seen as a resource.
- **RenewAfrica:** AFRY is one of 27 organisations supporting RenewAfrica, which aims to promote investments in renewable energy in Africa.
- **LFM30:** AFRY is an active and energetic member of the financial association LFM30 (local roadmap for a climate-neutral construction sector in Malmö by 2030).

Note S19: Countries where AFRY has offices and projects, 2021



GRI Index

This report has been prepared in accordance with the GRI Standards: Core option. The GRI index below lists the GRI Standards used, all with publication year and latest updates in 2016 and 2018, and reported general and specific disclosures.

GENERAL DISCLOSURES

GRI STANDARD	DISCLOSURE	DESCRIPTION	PAGE REFERENCE	COMMENTS
GRI 102: General Disclosures 2016	**ORGANISATIONAL PROFILE**			
	102-1	Name of the organisation	54	
	102-2	Important brands, products and services	1, 4–5, 15–19, 21–22	
	102-3	Location of headquarters	54, 145	
	102-4	Location of operations	4–5, 132	
	102-5	Ownership and legal form	39–40, 43	
	102-6	Markets served	4–5, 132	
	102-7	Scale of the organisation	4, 54, 65–67	
	102-8	Information on employees and other workers	129	
	102-9	Supply chain	62, 125	
	102-10	Significant changes to the organisation and its supply chain	118	
	102-11	Precautionary principle or approach	61, 123–124	
	102-12	Statutes, principles and initiatives that the organisation follows	37, 119	
	102-13	Membership in associations	37, 132	
	STRATEGY			
	102-14	Comments from the CEO	2–3	
	ETHICS AND INTEGRITY			
	102-16	Values, principles, standards and norms of behaviour	33, 119	
	GOVERNANCE			
	102-18	Governance structure	43–48, 119	
	STAKEHOLDER DIALOGUE			
	102-40	List of stakeholder groups	121	
	102-41	Number of employees covered by collective agreement	131	
	102-42	Identifying and selecting stakeholders	121	
	102-43	Approach to stakeholder engagement	121–122	
	102-44	Key topics and concerns raised	121	
	REPORTING PRACTICE			
	102-45	Entities covered by the report	106–109	
	102-46	Defining report content and topic boundaries	122	
	102-47	List of material topics	122	
	102-48	Restatements of information	118	
	102-49	Significant changes from previous reporting periods in the list of material topics and topic boundaries	118	
	102-50	Reporting period for the information provided	118	
	102-51	Date of most recent report	118	
	102-52	Reporting cycle	118	
	102-53	Contact point for questions regarding the report	118	
	102-54	Claims of reporting in accordance with the GRI Standards	118	
	102-55	GRI Index	133–134	
	102-56	External assurance	118, 136	

TOPIC-SPECIFIC DISCLOSURE

GRI STANDARD	DISCLOSURE	DESCRIPTION	PAGE REFERENCE	DEVIATIONS AND COMMENTS
ACCELERATE THE SUSTAINABILITY TRANSITION AND SUSTAINABLE SOLUTIONS				
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Boundary, management and evaluation	7, 10–11, 14–19, 20–21, 24–25, 43–48, 59–61, 119–124, 132	
	Company-specific disclosure	Positive contribution to the UN's global goals through transforming segments	15–19, 20–21, 123–124	
GOOD BUSINESS ETHICS AND CLIENT RESPONSIBILITY				
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Boundary, management and evaluation	7, 20, 25, 43–48, 59, 61–62, 119–122, 124–125	
GRI 205: Anti-corruption	205-1	Operations assessed for risks related to corruption	61, 120, 124–125	Not reported by region.
	205-2	Communication and training about anti-corruption policies and procedures	62, 119–120, 125	
	205-3	Confirmed incidents of corruption and actions taken	111, 120	
GRI 412: Human rights assessment 2016	412-1	Operations that have been subject to human rights reviews or impact assessments	47, 61, 120, 125	Not reported by region.
PHYSICAL AND MENTAL WELL-BEING				
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Boundary, management and evaluation	7, 20–21, 30–32, 43–48, 59–61, 119–122, 128	
GRI 403: Occupational health and safety 2018	403-1	Occupational health and safety management system	47–48, 60, 120	
	403-2	Hazard identification, risk assessment, and incident investigation	60, 128	
	403-3	Occupational health services	128	
	403-4	Worker participation, consultation, and communication on occupational health and safety	128	
	403-5	Worker training on occupational health and safety	128	
	403-6	Promotion of occupational health	128	
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	128	
	403-9	Work-related injuries	128	
OWN CLIMATE IMPACT				
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Boundary, management and evaluation	7, 10–12, 20–21, 24–27, 43–48, 59–61, 119–122, 124–128, 132	
GRI 302: Energy 2016	302-1	Energy consumption within the organisation	125–128	
GRI 305: Emissions	305-1	Direct (Scope 1) GHG emissions	125–128	
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GRI 103: Management approach 2016	103-1, 103-2, 103-3	Boundary, management and evaluation	7, 10–11, 20–21, 25, 30–33, 43–48, 59–61, 119–122, 130, 132	
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	130	Not reported by age due to technical collection limitations.
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	130	Not reported by gender or job classification due to limitations on data collection.
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GRI 405: Diversity and equal opportunity 2016	405-1	Diversity of governance bodies and employees	129	
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GRI 103: Management approach 2016	103-1, 103-2, 103-3	Boundary, management and evaluation	6–7, 10–27, 43–48, 119–120, 131–132	
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TCFD Index

TCFD'S RECOMMENDED AND SUPPORTING DISCLOSURES

DESCRIPTION	PAGE REFERENCE	COMMENTS
GOVERNANCE		
Describe the Board of Directors' oversight of climate-related risks and opportunities.	42–48, 59	
Describe management's role in assessing and managing climate-related risks and opportunities.	46–48, 59	
STRATEGY		
Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	8–9, 15–19, 24–25, 59–62, 123–124	AFRY's four transforming segments are climate-related opportunities.
Describe the impact of climate-related risks and opportunities in the organisation's businesses, strategy and financial planning.	8–9, 15–19, 24–27, 59–62, 123–128	AFRY's four transforming segments are climate-related opportunities.
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	24–25, 60	AFRY plans to conduct climate scenario analyses.
RISK MANAGEMENT		
Describe the organisation's processes for identifying and assessing climate-related risks.	47, 59, 120	
Describe the organisation's processes for managing climate-related risks.	47, 59, 120	
Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.	47, 59, 119–120	
METRICS AND TARGETS		
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	59, 120, 123–128	
Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	7, 24–27, 120–121, 125–128	
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	7, 26–27, 120–121, 125–126	

Audit statement

Auditor's Limited Assurance Report on AFRY AB's Sustainability Report and statement regarding the Statutory Sustainability Report.

To AFRY AB, corp. ID no. 556120-6474

Introduction

We have been engaged by the Board of Directors and the President and CEO of AFRY AB to undertake a limited assurance engagement of AFRY AB's Sustainability Report for the year 2021. AFRY AB has defined the scope of the Sustainability Report that also is the Statutory Sustainability Report on page 118 of this document.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the Sustainability Report including the Statutory Sustainability Report in accordance with applicable criteria and the Annual Accounts Act, respectively. The criteria are defined on page 118 in the Sustainability Report and are part of the Sustainability Reporting Standards published by The Global Reporting Initiative (GRI) that are applicable to the Sustainability Report as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed and to express an opinion regarding the Statutory Sustainability Report. Our assignment is limited to the historical information that is presented and does not cover future-oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information (revised). A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. Our examination regarding the Statutory Sustainability Report has been conducted in accordance with FAR's accounting standard RevR12 Auditor's opinion on the statutory sustainability report. A limited assurance engagement and an examination according to RevR 12 is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of AFRY AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The limited assurance procedures performed and the examination according to RevR 12 do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. The conclusion based on a limited assurance engagement and an examination according to RevR 12 does not provide the same level of assurance as a conclusion based on an audit.

Our procedures are based on the criteria defined by the Board of Directors and Managing Director as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our conclusions below.

Conclusions

Based on the limited assurance procedures performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

A Statutory Sustainability Report has been prepared.

Stockholm, 30 March 2022

KPMG AB

Joakim Thilstedt

Authorised Public Accountant

Karin Sivertsson

Expert Member of FAR

Five-year financial summary

SEK million, unless otherwise stated	2021	2020[3]	2019	2018	2017
Net sales and profit					
Net sales	20,104	18,991	19,792	13,975	12,658
EBITA excluding non-recurring costs	1,712	1,635	1,731	1,268	1,117
EBITA	1,662	1,509	1,368	1,243	1,027
Operating profit, EBIT	1,523	1,382	1,276	1,203	1,033
Profit after financial items	1,393	1,196	1,039	1,103	957
Profit for the period	1,130	932	821	850	742
Capital structure					
Non-current assets	16,857	15,928	16,872	8,432	7,070
Current assets	9,056	7,592	7,502	4,776	4,308
Equity including non-controlling interest	10,993	10,005	9,369	5,465	4,989
Non-current liabilities	7,014	6,314	8,240	3,718	2,323
Current liabilities	7,905	7,199	6,767	4,026	4,067
Balance sheet total	25,913	23,520	24,375	13,208	11,378
Equity, average	10,435	9,766	7,740	5,279	4,813
Total capital, average	24,385	23,948	21,833	12,063	10,835
Capital employed, average	17,920	17,534	15,507	8,388	7,642
Net debt	3,565	2,756	4,424	3,455	2,631
Key ratios					
EBITA margin excluding non-recurring costs	8.5	8.6	8.7	9.1	8.8
EBITA margin, %	8.3	7.9	6.9	8.9	8.1
Operating margin, %	7.6	7.3	6.4	8.6	8.1
Profit margin, %	6.9	6.3	5.2	7.9	7.6
Equity ratio, %	42.4	42.5	38.4	41.4	43.8
Net debt/EBITDA, times	2.0	1.7	3.0	2.5	2.3
Net debt/equity ratio, %	32.4	27.5	47.2	63.2	52.7
Current ratio, times	1.1	1.1	1.1	1.2	1.1
Return on equity, %	10.8	9.5	10.6	16.1	15.4
Return on total capital, %	6.1	5.4	5.5	9.9	9.4
Return on capital employed, %	8.6	7.7	8.3	14.4	13.6
Interest cover, times	10.4	8.7	5.2	11.6	12.9
AFRY shares					
Basic earnings per share, SEK	9.97	8.29	8.07	10.98	9.58
Diluted earnings per share, SEK	9.97[1]	8.29[1]	7.99	10.76	9.39
Dividend yield, %	2.2	2.0	0.0	3.1	2.8
Equity per share, SEK	97.10	88.52	83.51	70.42	64.30
Diluted equity per share, SEK	97.09	88.90	90.03	68.06	62.01
Cash flow from operating activities per basic share, SEK	13.23	17.81	19.59	11.30	8.03
Cash flow from operating activities per diluted share, SEK	13.23[1]	17.81[1]	19.16	10.92	7.78
Market price on 31 December, SEK	255.00	251.20	218.60	160.40	180.90
Market capitalisation	28,869	28,392	24,521	12,411	13,988
Ordinary dividend per share, SEK	5.50[2]	5.00	0.00	5.00	5.00
Other					
Cash flow from operating activities	1,498	2,004	1,993	874	624
Cash flow from investing activities	-1,213	-264	-5,290	-1,153	-525
Cash flow from financing activities	-12	-987	4,066	306	-209
Capacity utilisation, %	74.7	75.6	75.8	77.2	77.6
Average number of FTEs excluding associates	15,647	15,271	14,680	10,037	9,292

1) Issued convertibles do not result in dilution during the period.
2) Proposed dividend
3) Reported financial information has been recalculated due to a change in accounting policy IFRS IC's "Cloud computing arrangements" and is presented in Note 1. The preceding year's key ratios have not been recalculated.

Alternative performance measures

Definitions

The key ratios and alternative performance measures used in this report are defined on page 142 and on our website: https://afry.com/en/investor-relations/.

Organic growth

Since the Group is active in a global market, sales are transacted in currencies other than the Swedish krona, which is the presentation currency. Exchange rates have been relatively volatile historically, and the Group carries out acquisitions/divestments of operations on an ongoing basis. Taken together, this has led to the Group's sales and development being evaluated on the basis of organic growth. Organic sales growth represents comparable sales growth or sales reduction, and enables separate valuations to be carried out on the impact of acquisitions/divestments and exchange rate fluctuations.

Alternative performance measures

The consolidated financial statements contain financial ratios defined according to IFRS. They also include measurements not defined according to IFRS, known as alternative performance measures. The purpose of this is to provide information for comparing trends across years and to understand the underlying operations. These terms may be defined in a different way by other companies and are therefore not always comparable to similar measures used by other companies.

	Infrastructure		Industrial & Digital Solutions		Process Industries		Energy		Management Consulting		Group[1]	
%	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Total growth	0.8	-0.3	13.9	-12.2	10.9	12.9	-4.1	-7.6	21.8	21.8	5.9	-4.0
Acquired	1.2	3.1	2.1	0.7	3.6	13.3	0.7	2.0	5.9	18.3	2.1	4.2
Currency	-0.8	-1.5	-0.1	-0.4	-3.9	-5.5	-3.3	-1.3	-3.6	-3.0	-1.8	-1.9
Organic	0.4	-1.9	11.9	-12.5	11.2	5.2	-1.4	-8.4	19.5	6.6	5.6	-6.4
Organic growth adjusted for calendar effects	0.0	-2.8	11.5	-13.3	10.9	4.6	-2.0	-9.3	19.8	9.0	5.3	-7.1
of which calendar effect	*0.4*	*0.9*	*0.4*	*0.8*	*0.3*	*0.6*	*0.6*	*0.9*	*-0.3*	*-2.4*	*0.3*	*0.7*

1) Group includes eliminations.

	Infrastructure		Industrial & Digital Solutions		Process Industries		Energy		Management Consulting		Group[1]	
SEK million	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Total growth	63	-20	707	-708	375	394	-113	-228	177	145	1,113	-801
Acquired	94	238	107	41	124	405	18	60	48	122	391	831
Currency	-64	-115	-4	-23	-135	-168	-93	-39	-30	-20	-336	-376
Organic	33	-146	605	-726	386	158	-39	-252	159	44	1,058	-1,267
Organic growth adjusted for calendar effects	2	-215	585	-772	376	140	-56	-279	161	60	1,004	-1,405
of which calendar effect	*31*	*69*	*20*	*46*	*10*	*18*	*17*	*27*	*-2*	*-16*	*54*	*139*

1) Group includes eliminations.

EBITA/EBITA exclusive items affecting comparability
Operating profit before associates and non-recurring costs refers to the operating profit after restored tangible items and events related to changes in the Group's structure and operations which are relevant for an understanding of the Group's performance on a comparable basis. This metric is used by Group Executive Management to monitor and analyse underlying profit/loss and to provide comparable figures between periods.

	Infrastructure		Industrial & Digital Solutions		Process Industries		Energy		Management Consulting		Group	
SEK million	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
EBIT	568	691	490	326	470	377	301	257	161	104	1,523	1,382
Acquisition-related items												
Amortisation and impairment of intangible assets	—	-33	—	—	—	-1	—	0	—	—	159	184
Impairment of real estate	—	—	—	—	—	—	—	—	—	—	17	—
Revaluation of contingent considerations	—	—	—	—	—	—	—	—	—	—	-36	-62
Divestment of operations	—	-5	—	—	—	-12	—	—	—	—	—	6
Profit/loss (EBITA)	**568**	**652**	**490**	**326**	**470**	**363**	**301**	**257**	**161**	**104**	**1,662**	**1,509**
Non-recurring costs												
Restructuring costs Energy Division	—	—	—	—	—	—	—	—	—	—	—	17
Restructuring costs Industrial & Digital Solutions Division	—	—	—	—	—	—	—	—	—	—	—	35
Restructuring costs Infrastructure Division	—	—	—	—	—	—	—	—	—	—	10	—
Cost of customisation/configuration of cloud-based IT systems	—	—	—	—	—	—	—	—	—	—	40	74
EBITA excl. items affecting comparability	**568**	**652**	**490**	**326**	**470**	**363**	**301**	**257**	**161**	**104**	**1,712**	**1,635**

[1] Group includes eliminations.

	Infrastructure		Industrial & Digital Solutions		Process Industries		Energy		Management Consulting		Group	
%	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
EBIT margin	7.4	9.0	8.5	6.4	12.3	10.9	11.2	9.3	16.2	12.8	7.6	7.3
Acquisition-related items												
Amortisation and impairment of intangible assets	—	-0.4	—	—	—	-0.0	—	—	—	—	0.9	1.0
Impairment of real estate	—	—	—	—	—	—	—	—	—	—	0.1	—
Revaluation of contingent considerations	—	—	—	—	—	—	—	—	—	—	-0.2	-0.3
Divestment of operations	—	-0.1	—	—	—	-0.3	—	—	—	—	—	0
Profit/loss (EBITA)	**7.4**	**8.5**	**8.5**	**6.4**	**12.3**	**10.6**	**11.2**	**9.3**	**16.2**	**12.8**	**8.3**	**7.9**
Non-recurring costs	—	—	—	—	—	—	—	—	—	—	0.2	0.7
EBITA margin excl. items affecting comparability	**7.4**	**8.5**	**8.5**	**6.4**	**12.3**	**10.6**	**11.2**	**9.3**	**16.2**	**12.8**	**8.5**	**8.6**

[1] Group includes eliminations.

Net debt exclusive IFRS 16, Net debt/EBITDA exclusive IFRS 16 and Net debt/equity ratio

Net debt is the total of interest-bearing liabilities less cash and cash equivalents and interest-bearing assets. Lease liabilities after the deduction of receivables relating to subleases are included in net debt. Net debt also includes dividends approved but not yet paid out. Net debt is used by Group Executive Management to monitor and analyse the debt trend in the Group and evaluate the Group's refinancing requirements. Net debt/EBITDA is a key ratio for net debt in relation to cash-generating profit in the operation, which provides an indication of the operation's ability to pay its debts. This metric is commonly used by financial institutions to measure creditworthiness. A negative figure means that the Group has a net cash balance (cash and cash equivalents exceed interest-bearing liabilities).

Net debt excl. IFRS 16

SEK million	2021	2020
Loans and credit facilities	5,471	4,344
Net pension liability	205	341
Cash and cash equivalents	-2,112	-1,930
Total net debt	**3,565**	**2,756**

Net debt/EBITDA, excl. IFRS 16

SEK million	2021	2020
Operating profit (EBITA)	1,662	1,509
Depreciation, amortisation and impairment of non-current assets	698	663
EBITDA	**2,359**	**2,172**
Lease expenses	-564	-553
EBITDA excl. IFRS 16	**1,796**	**1,619**
Net debt	3,564	2,756
Net debt/EBITDA, excl. IFRS 16, times	**2.0**	**1.7**
Non-recurring costs	50	126
EBITDA excl. IFRS 16 and non-recurring costs	**1,846**	**1,745**
Net debt	3,564	2,756
Net debt/EBITDA, excl. IFRS 16 and non-recurring costs, times	**1.9**	**1.6**

Net debt/equity ratio

SEK million	2021	2020
Net debt	3,565	2,756
Equity	10,993	10,005
Net debt/equity ratio, %	**32.4**	**27.5**

Return on equity

Return on equity is the operation's profit/loss after tax during the period in relation to average equity. This key ratio is used to show how great a proportion of the shareholders' contributed capital generates a return, which gives an indication of the operation's ability to create value for its owners.

SEK million	2021	2020
Profit after tax	1,130	932
Average equity	10,435	9,766
Return on equity, %	**10.8**	**9.5**

Return on capital employed

Return on capital employed shows the operation's profit/loss after financial items, adjusted for interest expenses in relation to average interest-bearing capital in the operation's balance sheet total. The key ratio is used to evaluate how the company utilises capital which has some form of return requirement (for example, dividends on invested capital from shareholders as well as interest on bank loans).

SEK million	2021	2020
Profit after financial items	1,393	1,196
Financial expenses	148	156
Profit	**1,542**	**1,352**
Average balance sheet total	24,374	23,948
Other current liabilities	-6,021	-5,947
Other non-current liabilities	-200	-228
Deferred tax liability	-234	-239
Capital employed	**17,920**	**17,534**
Return on capital employed, %	**8.6**	**7.7**

Interest cover

Interest cover shows profit/loss after financial items adjusted for interest expenses in relation to interest expenses. The key ratio shows the operation's ability to cover its interest expense during the period. A negative interest coverage ratio indicates that the company is making a loss, or that interest expenses are greater than the profit for the period.

SEK million	2021	2020
Profit after financial items	1,393	1,196
Profit after financial items, excl. interest expenses	1,541	1,352
Interest expenses	148	156
Interest cover, times	**10.4**	**8.7**

Equity ratio

The equity ratio shows the operation's equity in relation to total capital and describes how large a proportion of the operation's assets are not matched by liabilities. The equity ratio can be seen as the operation's ability to pay in the long term. The key ratio is influenced by profitability during the period and by how the operation is financed. This metric is often used to provide an indication of how the company is financed and also to see trends in how the operation's funds are utilised. A change in the equity ratio over time may, for example, be an indication that the operation is reviewing its financing structure or is utilising its equity to finance an expansion.

SEK million	2021	2020
Equity	10,993	10,005
Balance sheet total	25,913	23,520
Equity ratio, %	**42.4**	**42.5**

Current ratio

The current ratio shows current assets in relation to current liabilities and gives an indication of the operation's ability to cover its current liabilities. The key ratio also shows the operation's efficiency in utilising short-term funds. A current ratio over 1 suggests that the company is able to cover its current liabilities.

SEK million	2021	2020
Current assets	9,056	7,592
Current liabilities	7,905	7,199
Current ratio, times	**1.1**	**1.1**

Definitions

Financial definitions

Number of employees – Total number of employees at end of reporting period.

Average number of FTEs – Average number of employees during the year converted to the equivalent number of year-long, full-time positions. The actual number of employees is higher, owing to part-time employment and the fact that some employees work for only part of the year.

Acquisition-related items – Depreciation/amortisation and impairment of goodwill and acquisition-related intangible assets, revaluation of contingent considerations and gains/losses on disposal of companies and operations.

Items affecting comparability – Refers mainly to costs of restructuring and costs for major acquisitions. Other one-off items may also be reported as non-recurring costs in cases where this gives a fairer picture of the underlying operating profit.

Rolling twelve-month sales and operating profit – Net sales and operating profit for the most recent twelve-month period.

Operating profit (EBIT) – Profit/loss before net financial items and tax (earnings before interest and tax).

Operating profit excl. non-recurring costs – Operating profit/loss adjusted for non-recurring costs.

EBITA – Earnings before interest, taxes and amortisation. Operating profit/loss with restoration of acquisition-related items.

EBITDA – Earnings before interest, taxes, depreciation and amortisation. Operating profit/loss before interest, taxes, impairment and depreciation/amortisation.

Capacity utilisation – Time invoiced to clients in relation to total time all employees are present at work.

Outstanding orders – Opening balance of order value for the period less settlements from this recognised as income for the period.

Key ratios

Operating margin – Operating profit in relation to net sales.

Operating margin excl. items affecting comparability – Operating margin adjusted for items affecting comparability.

EBITA margin – EBITA in relation to net sales.

Profit margin – Profit/loss after financial items, in relation to net sales.

Return on total capital – Profit/loss after financial items and restoration of financial expenses, in relation to average balance sheet total.

Alternative performance measures

Current ratio – Current assets in relation to current liabilities.

Equity ratio – Equity including non-controlling interests in relation to balance sheet total.

Net debt – Interest-bearing liabilities (excluding contingent considerations) and pension provisions less cash, cash equivalents and interest-bearing receivables.

Net debt/equity ratio – Net debt in relation to equity including non-controlling interests.

Interest cover – Profit/loss after financial items with restoration of interest expenses in relation to interest expenses.

Dividend yield – Dividend per share in relation to share price at end of reporting period.

Adjusted EBITA margin – EBITA margin excluding non-recurring costs.

Cash flow per share – Cash flow from operating activities in relation to average number of outstanding shares.

Equity per share – Equity attributable to the parent's shareholders relative to total number of outstanding shares.

Earnings per share – Earnings attributable to the parent's shareholders in relation to average number of outstanding shares. Own shares are not regarded as outstanding shares.

Return on equity – Profit/loss after tax in relation to average shareholders' equity including non-controlling interests.

Return on capital employed – Profit/loss after financial items and restoration of interest expenses in relation to average balance sheet total less non-interest-bearing liabilities and net deferred tax.

Total shareholder return – Share price development including reinvested dividend.

Growth–total – Growth between two periods presented as a change in value or percentage. Calculation: Value (net sales minus net sales in the comparative period) and percentage (net sales minus net sales in the comparative period divided by net sales in the comparative period).

Growth–acquired – Net growth between net sales in acquired operations and divested operations between two periods presented as a change in value or percentage. The net sales of the acquired or divested unit are included in the calculation 12 months from the date on which the acquisition or divestment impacted results. Calculation: Value (net sales in the acquired operation minus sales in the divested operation minus the corresponding calculation in the comparative period) and percentage (net sales in the acquired operation minus sales in the divested operation minus the corresponding calculation in the comparative period divided by sales in the comparative period).

Growth–currency effect – Growth between two periods presented as a change in value or percentage. Calculation: Value (net sales minus the corresponding net sales translated using the comparative period's exchange rates) and percentage (net sales minus the corresponding net sales translated at a comparative period's exchange rates divided by sales in the comparative period).

Growth–organic – Growth adjusted for acquisitions, divestments and currency effects between two periods presented as a change in value or percentage. Calculation: Value (net sales minus net sales for acquired operations, divested operations and currency effects) and percentage (net sales minus net sales for acquired operations, divested operations and currency effects divided by net sales in the comparative period).

Growth–calendar effect – The calendar effect between two periods presented as a change in value or percentage. Calculation: Value (difference in working hours between two periods divided by the total number of working hours in the comparative period multiplied by total net sales in the comparative period) and percentage (difference in working hours between two periods divided by the total number of working hours in the comparative period multiplied by total net sales in the comparative period divided by net sales in the comparative period).

Growth–organic, adjusted for calendar effects – Organic growth adjusted for calendar effects between two periods presented as a change in value or percentage. Calculation: Value (organic growth minus the calendar effect) and percentage (organic growth minus the calendar effect divided by net sales in the comparative period).

Sustainability definitions

The 1.5 degree ambition – That the global average temperature does not rise by more than 1.5°C compared to pre-industrial levels.

Greenhouse Gas Protocol (GHG Protocol) – A global greenhouse gas measuring and accounting standard.

Net zero – When unavoidable greenhouse gas emissions are neutralised by corresponding greenhouse gas removal and storage, taking account of heating effects, timescale and duration. AFRY has accepted the definition of net zero developed by the Science Based Targets initiative (Corporate Net Zero Standard).

Science-Based Targets (SBTs) – Science-based climate targets that are reviewed and validated by the Science Based Targets initiative (SBTi).

SDGs (Sustainable Development Goals) – The global goals in the UN's 2030 Agenda for sustainable development. The global goals cover 17 interlinked development goals and 169 targets.

United Nations Global Compact (UNGC) – A principle-based framework for businesses covering human rights, labour rights, the environment and anti-corruption.

Calendar 2022

Q1 2022
28 April 2022

Annual General Meeting
28 April 2022

Q2 2022
14 July 2022

Q3 2022
28 October 2022

Q4 2022
10 February 2023

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