

## **Proposed guidelines by the Board of Indutrade Aktiebolag (publ) for compensation and other terms of employment for senior executives**

The Board of Directors proposes that the Annual General Meeting adopts the following guidelines for compensation and other terms of employment for senior executives. These guidelines shall be applicable to agreed compensation, and amendments to compensation already agreed, after adoption of the guidelines by the 2020 Annual General Meeting. These guidelines do not apply to compensation resolved or approved by the general meeting.

### **The guidelines' promotion of the company's business strategy, long-term interests and sustainability**

A prerequisite for the successful implementation of the company's business strategy and safeguarding of the company's long-term interests, including its sustainability, is that Indutrade is able to recruit and retain management with high qualifications. To this end, the company must offer competitive compensation and other terms of employment, which these guidelines enable. The forms of compensation should motivate members of the executive management to perform their utmost in order to safeguard the interests of the shareholders. For more information about the company's business strategy, please see the company's website: <https://www.indutrade.com/about-indutrade/objectives--strategy/>.

These guidelines encompass senior executives, i.e. the CEO and other members of the group management (the executive management). For employments governed by rules other than Swedish, customary adjustments may be made for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

Variable cash compensation covered by these guidelines shall aim to promote the company's business strategy and long-term interests, including its sustainability.

### **The types of compensation**

The total compensation shall be on market terms, straightforward, long-term and quantifiable, and may consist of the following components: fixed cash salary, variable cash compensation, pension benefits, as well as other benefits.

The general meeting may also, irrespective of these guidelines, resolve on, among other things, share-related or share price-related compensation (for information about ongoing incentive programmes, please see the company's website: <https://www.indutrade.com/about-indutrade/corporate-governance/remuneration/>).

The performance period with respect to criteria for awarding variable salary shall be measured over a period of one or several years. The variable cash compensation may amount to a maximum of 50 percent of the fixed annual salary.

Additionally, senior executives may be awarded cash compensation linked to their investments in shares or share-related instruments under such incentive programmes, as well as pension and other benefits. Such cash compensation must not exceed 15 percent of the fixed annual salary.

The pension terms for the executive management shall be in line with the going rate in the market in respect of what applies for peer executives in the market in which the executive works, a maximum of 40 percent of the fixed annual salary, and should be based on defined contribution pension solutions or correspond to a public pension plan (in Sweden the ITP plan). Variably salary to members of the executive management not covered by the ITP plan shall not qualify for pension benefits.

Other benefits may include, for example, life insurance, health insurance and company car. Premiums and other costs related to such benefits may amount to not more than 15 percent of the fixed annual salary. Awarding of non-monetary benefits shall facilitate the individuals in the execution of their duties and correspond to what can be considered reasonable in respect of practice in the market in which the respective executive is active.

### **Termination of employment**

The notice period for a member of the executive management may not exceed 12 months if the termination is initiated by the company, and 6 months if it is initiated by the individual. Severance pay to a member of the executive management shall in aggregate not exceed 24 months' salary in the event the company serves notice, and 6 months' salary in the event the member of the executive management gives notice.

### **Criteria for variable cash compensation**

The variable compensation shall be designed so as to reward the achievement of clear objectives, in straight-forward and transparent structures, and be linked to one or several predetermined and measurable financial criteria, such as sales growth, EBITA-margin or return on operating capital/capital employed. Any non-financial criteria shall be related to sustainability. Financial criteria shall constitute at least 75 percent of all criteria.

Once the period for measuring the satisfaction of criteria for awarding variable cash compensation expires, the outcome will be determined. The Remuneration Committee is responsible for determining the CEO's outcome, while the CEO is responsible for determining the outcome for other members of the executive management. For financial objectives, the assessment shall be based on the latest financial information made public by the company, with any adjustments deemed necessary or reasonable by the Board of Directors.

The terms for variable compensation shall be designed so that the Board of Directors, under exceptional financial conditions, may limit, refuse or redeem payment of variable compensation if such measure is deemed reasonable.

In specific cases, arrangements may be made on one-time variable compensation, provided that such compensation does not exceed an amount corresponding to 10 percent of the fixed annual salary, and is not paid more than once each year per individual. Such compensation shall not qualify for pension benefits unless required by mandatory collective agreement provisions. Resolutions on such compensation shall be made by the Board of Directors based on a proposal from the Remuneration Committee, so far as it concerns the CEO, and by the Remuneration Committee based on a proposal from the CEO, so far as it concerns other senior executives.

No other variable cash compensation shall be paid.

**Salary and other employment terms for employees**

In the preparation of the Board of Directors' proposal for these compensation guidelines, salary and other employment terms for employees of the company have been taken into account by including information on the employees' total compensation, the components of the compensation and increase and growth rate over time, in the Remuneration Committee's and the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

**The decision-making process to determine, evaluate and apply the guidelines**

The Board of Directors has appointed a Remuneration Committee with the task of preparing the Board of Directors' decisions regarding proposal for guidelines for compensation to senior executives. The Board of Directors shall prepare a proposal for new guidelines at least every fourth year, and submit it to the Annual General Meeting.

The Remuneration Committee shall also monitor and evaluate programmes for variable compensation to members of the executive management, as well as the application of the guidelines in terms of compensation levels and structures. Members of the executive management do not participate in the Board of Directors' processing of, and resolutions regarding, compensation-related matters in so far as they are affected by such matters.

**Derogation from the guidelines**

The Board of Directors may temporarily resolve to derogate from the guidelines adopted by the general meeting, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the company's long-term interest, including its sustainability, or to ensure the company's financial viability. As set out above, the Remuneration Committee's tasks include preparing the Board of Directors' resolutions in compensation-related matters, including any resolutions to derogate from the guidelines.

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Stockholm in March 2020  
**Indutrade Aktiebolag (publ)**  
*The Board of Directors*