

## **Guidelines for compensation of senior executives**

These guidelines pertain to Industrivärden's CEO and other members of the Executive Management. The guidelines are to be applied for compensation agreed upon, and changes made to already agreed upon compensation, after the guidelines have been adopted by the 2020 AGM. Compensation decided by the AGM is not covered.

Compared with the guidelines decided upon by the 2019 AGM, the proposal below has been updated to meet the requirements arising out of implementation of the EU's Shareholder Rights Directive.

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

The Company's business mission is to be a long-term asset manager and active owner of listed Nordic companies. The mission, objectives and strategy are presented in more detail on Industrivärden's website [www.industrivarden.net](http://www.industrivarden.net).

Successful and sustainable execution of the Company's mission, objectives and strategy for capitalizing on the Company's long-term interests requires that the Company can recruit and retain qualified employees. The guidelines contribute to this by ensuring that senior executives can be offered a going-rate, competitive total compensation package that is commensurate with their responsibilities and authority.

### **Types of compensation, etc.**

Compensation shall be in line with the going rate in the market and competitive and be related to individual performance as well as the Company's development. Compensation may consist of the following components: fixed cash salary, short-term variable cash compensation, pension benefits and other benefits.

*Short-term variable cash compensation* may amount to a maximum of 50% of the executive's fixed annual cash salary. The compensation shall be coupled to fulfillment of individual criteria that are set yearly and that are evaluated according to the executive's work contribution and performance. The criteria may be financial or nonfinancial, or they may consist of individually adapted quantitative or qualitative goals. The criteria shall be formulated so that they have a clear coupling to value creation for the Company and promote the Company's business mission and sustainable execution of the Company's long-term interests.

Fulfillment of criteria for payment of short-term variable cash compensation shall be measured during a period of one year. The Compensation Committee is responsible for assessing the extent to which the criteria for payment of short-term variable cash compensation to the CEO is fulfilled. The Board thereafter sets the CEO's compensation. The CEO is responsible for assessing the fulfillment of criteria for payment of short-term variable cash compensation for other senior executives. Short-term variable cash compensation shall not be pensionable.

The Board shall have the opportunity pursuant to law or agreement, with the restrictions that may arise out of such, to fully or partly rescind variable cash compensation paid out on incorrect grounds.

*Pension benefits*, including disability insurance, (Sw. sjukförsäkring) shall be defined contribution solutions to the extent that the executive is not covered by a defined benefit pension under compulsory collective contract provisions, and shall entitle the executive to receive a pension from 60 or 65 years of age, depending on the position. For the CEO and other senior executives, premiums and other costs related to defined contribution pensions may amount to a combined maximum of 40% of the fixed annual cash salary, depending on the position.

*Other benefits* may include, among other things, life insurance, health insurance (Sw. sjukvårdsförsäkring), a car benefit and a wellness benefit. For the CEO, such benefits may amount to a maximum of one (1)% of fixed annual cash salary, and for other senior executives they may amount to four (4)% of fixed annual cash salary, depending on the position.

In addition to the above, the general meeting of shareholders may – independently from these guidelines – decide on e.g., share-based and share price-related compensation. Since 2012 the Company has established *share-based incentive programs* approved by general meetings, of which the 2017–2019 programs are currently in effect. The programs cover all employees and require a personal shareholding and holding period of three (3) years. The outcome is based on performance targets that are related to the long-term growth in Industrivärden’s share price. Approved share-based incentive programs are presented in more detail on Industrivärden’s website [www.industrivarden.net](http://www.industrivarden.net).

For notice of termination served by the Company, the notice period may be a maximum of two (2) years. Fixed cash salary paid during the notice period and severance pay may together not exceed an amount corresponding to two (2) years’ fixed cash salary. For notice given by the executive, the notice period may be a maximum of six (6) months, without any right to severance pay.

Additionally, compensation may be payable for any non-compete obligation. Such payment shall compensate for possible loss of income and shall only be paid to the extent the former executive lacks entitlement to severance pay. Compensation shall amount to a maximum of 60% of fixed cash salary at the time notice was served, unless other terms apply under stipulations of a compulsory collective agreement. It shall be paid during the time the noncompete obligation applies, which shall be a maximum of 12 months after the end of employment.

### **Decision-making process for setting, revising and implementing the guidelines**

The Compensation Committee’s duties include conducting preparatory work for board decisions on proposed guidelines for compensation of senior executives. The Board shall draw up a recommendation for new guidelines at least every fourth year and present the recommendation for decision by the Annual General Meeting. The guidelines apply until new guidelines have been adopted by a general meeting. The Compensation Committee shall also monitor and evaluate variable compensation programs for members of the Executive Management, application of guidelines for compensation of senior executives and applicable compensation structures and compensation levels in the Company.

In the preparatory work for the Board’s recommendation on these compensation guidelines, salary and terms of employment for the Company’s other employees have been taken into account, whereby information on the employees’ total compensation, the components of their compensation and the increase in their compensation and rate of growth over time have made up part of the Compensation Committee’s and Board’s decision-making documentation in evaluating the fairness of the guidelines and the limitations that arise out of these.

The Compensation Committee's members are independent in relation to the Company and Executive Management. In the Board's handling of and decisions on compensation-related matters, the CEO and other members of the Executive Management are not present to the extent they are the subject of the matters at hand.

### **Departures from the guidelines**

The Board may decide to temporarily depart from the guidelines entirely or partly if in an individual case there are special reasons for doing so and a departure is necessary for safeguarding the Company's long-term interests or to ensure the Company's financial soundness. The Compensation Committee's duties include conducting preparatory work for the Board's decisions on compensation matters, which includes decisions to depart from the guidelines.