

Application of principles on variable salary for 2019

In order to ensure alignment with long-term shareholder interests, to strengthen the retention element of the variable salary and to promote company shareholding among the Group Management Team (“GMT”) the variable salary includes a short-term cash incentive and a long-term cash incentive program where the short-term program includes an incentive for the GMT members to purchase and retain shares in the Company while the long-term program includes an obligation to purchase and an undertaking to retain such shares. The performance period for the short-term and the long-term programs will be one year and three years respectively.

Short-term variable salary

The maximum short-term variable salary for the President and other members of the GMT residing in Sweden shall be 70 and 60 percent respectively of their 2019 base salary. To comply with local market standards the maximum short-term incentive for members residing outside of Sweden shall be 70 percent of the 2019 base salary. Subject to justified exemptions, a 20 percentage point reduction in maximum variable salary shall apply to any GMT member who does not commit to purchase Company shares for at least 50 percent of the received cash award net of income tax and to retain such shares for a period of not less than three years. The minimum level of performance that must be reached to earn any allocation and the maximum level of performance at which payout is capped shall be defined in the beginning of each year by the Compensation Committee in relation to the GMT members other than the President and by the Board of Directors in relation to the President.

Accruals for short-term variable salary objectives for GMT members 2019 are estimated¹ to range between 0 MSEK and 20 MSEK.

Long-term variable salary

The maximum long-term variable salary of the President and other members of the GMT (except as set forth below) shall be either 45 percent of the 2019 base salary or 750 000 SEK depending on the remit of the GMT member. Subject to justified exemptions, all members of the GMT will be obliged to purchase company shares for the full cash award net of income tax and shall retain such shares for a period of not less than two years. Members of GMT residing outside Sweden may participate in an additional long-term variable salary program capped at 100 percent of the base salary every second year.

The outcome in the long-term variable salary program is dependent on two criteria determined at the beginning of 2019 but measured over the full performance period 2019-2021. The majority of the outcome is based on Group Operating profit from product areas 2019-2021 and the remaining part is based on Net sales excluding SMD Logistics AB for 2019-2021. For both measures an improvement compared to the 2018 outcomes is required for the measure to yield an outcome in the program.

Accruals for the GMT long-term incentive programs are estimated¹ to range between 0 MSEK below minimum level and 18 MSEK at maximum level depending on performance outcome.

¹ Estimation made on the assumption that Group Management Team is unchanged and on an assumed exchange rate SEK vs. USD of 8,6947.