

## Arjo AB (publ)

### Proposal by the Board of Directors on guidelines for remuneration to senior executives

These guidelines comprise those included in the Group Management and other executives in the group who are directly subordinated to the CEO, hereinafter referred to as “senior executives”. The guidelines apply to agreements entered into after the General Meeting’s resolution to adopt these guidelines and until the General Meeting resolves on new guidelines.

Arjo shall have the remuneration levels and terms of employment deemed necessary to recruit, motivate and retain a management team with the right competence and capacity to achieve set goals.

Senior executives shall receive fixed salary. The fixed salary shall be on market conditions and individual remuneration levels shall be based on experience, competence, responsibility, geographic location and performance.

In addition to fixed salary, the CEO has a performance-based cash benefit that shall not exceed 60 % of the fixed annual salary.

Performance-based annual bonus for other senior executives shall not exceed 50-70 % of the fixed annual salary (depending on function and geographical location).

Performance-based annual bonus shall not be paid if the group’s Profit after financial items for the current fiscal year is negative.

In addition to fixed salary and the performance-based annual bonus above, senior executives may obtain a variable long-term bonus (LTI bonus), awarding target based, measureable achievements with the purpose to promote the long-term added value of the company as well as retaining key persons on senior positions. The performance period for the LTI bonus shall be at least three financial years and the LTI bonus shall be capped at 100 % of the fixed salary during the three-year period, i.e. a maximum of one third of the fixed salary per year.

The Board of Directors may propose the General Meeting to resolve that senior executives, in addition to fixed salary and performance-based annual bonus, are offered a long-term share price-based incentive program that rewards performance over a longer period and that aims to promote the company’s long-term value creation and to retain key individuals in senior positions. Incentive programs resolved by the General Meeting are not covered by these guidelines.

The Group Management’s non-monetary benefits such as, for example, company car, computer, mobile phone, additional health insurance or company healthcare, shall be payable to the extent it

is deemed to be on market conditions for senior executives in corresponding positions on the market in which the company operates. The total value of these benefits shall be a minor part of the total remuneration.

Senior executives shall receive pension benefits. The pension benefit shall be premium-based and shall not exceed 30 % of the fixed salary. Employees in Sweden can also be covered by the current ITP plan.

Salary during the notice period and severance pay for senior executives shall not exceed the amount equal to the salary for twelve months.

By law, remuneration to Board members is resolved by the General Meeting to the extent it constitutes remuneration for Board assignments. If a Board member is employed by the company, compensation to such Board member is paid in accordance with these guidelines. A Board member not employed by the company shall not receive any special compensation for the board assignment in the company or group company. If a Board member performs assignments for the company not covered by the board assignment, compensation shall be paid based on market conditions taking into account the nature and the amount of work.

The Remuneration Committee of the Board of Directors prepares proposals for resolution by the Board regarding remuneration to the CEO. The Remuneration Committee of the Board of Directors prepares, in consultation with the CEO, and resolves on remuneration to other senior executives. The Board of Directors resolves on matters relating to remuneration to Board members for assignments not covered by the board assignment, provided that this may be resolved by the required majority, otherwise such resolution will be taken by the Annual General Meeting. The Board of Directors may derogate from these guidelines in certain cases if there are special reasons for doing so, provided that this is reported and explained afterwards.

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Malmö in February 2019

**The Board of Directors of Arjo AB (publ)**