

The Board of Directors' proposal on guidelines for remuneration to senior executives

The Board of Directors proposes that the 2020 Annual General Meeting (AGM) resolves to approve guidelines for remuneration to senior executives according to the following. The guidelines essentially match the principles applied to date.

1. Scope of the guidelines

These guidelines pertain to remuneration and other terms and conditions of employment for the persons who during the time the guidelines apply are members of Lifco AB's Group management, referred to jointly below as "senior executives". At present, there are four members of the Group management. The guidelines are to be applied to remuneration that is agreed, and changes made to already agreed remuneration, after the time that the guidelines have been adopted by the 2020 AGM. The guidelines do not encompass remuneration resolved by the general meeting.

Concerning terms of employment subject to regulations other than those applying in Sweden, appropriate adjustments may be made to comply with such mandatory regulations or fixed local practices, whereby the overall objectives of these guidelines must be met to the extent possible.

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

Lifco's business concept is to acquire and develop market-leading niche businesses that conduct sustainable operations and have the potential to deliver sustainable earnings growth and robust cash flows. The Group pursues a distinct business strategy focusing on results, simplicity and decentralisation. Lifco's overall aim is to increase earnings every year, which has been achieved through both organic growth and acquisitions. For further information on Lifco's business strategy, refer to the 2019 Annual Report.

A prerequisite for successful implementation of the company's business strategy and safeguarding of Lifco's long-term interests, including its sustainability, is that the company is able to recruit and retain qualified employees. To achieve this, the company must be able to offer competitive remuneration. These guidelines make it possible to offer competitive total remuneration to senior executives. Variable cash remuneration covered by these guidelines shall aim at promoting the company's business strategy and long-term interests, including its sustainability.

3. Forms of remuneration, etc.

Remuneration shall be market-aligned and may comprise the following components: fixed cash salary, variable cash salary, pension benefits and other benefits. The general meeting may also – regardless of these guidelines – resolve on, for example, share- and share price-related remuneration.

Fixed remuneration

The fixed remuneration, basic salary, shall be based on the individual executive's area of responsibility, authorities, field of competence and experience.

Variable remuneration and criteria for allocating variable cash salary, etc.

Variable cash remuneration covered by these guidelines shall aim at promoting the company's business strategy and long-term interests, including its sustainability. The amount of variable remuneration in relation to basic salary must be in proportion to the senior executive's responsibility and authority. The variable remuneration shall be linked to predetermined and measurable criteria designed to promote the company's long-term value creation. Fulfilment of criteria for the payment of variable cash salary shall be measured over a period of one year. When the measurement period for fulfilment of criteria for payment of variable cash salary has ended, an assessment is to be made of the extent to which the criteria have been met.

The variable remuneration payable to the CEO shall be capped at 80 per cent of the annual basic salary. The variable remuneration shall be based on individual targets proposed by the Remuneration Committee and adopted by the Board. Examples of such targets are results, volume growth, working capital and cash flow. For other senior executives, the variable remuneration shall be based, partly, on the outcome of his/her own area of responsibility and, partly, on individually set targets. Examples of such targets are results, volume growth, working capital and cash flow. The CEO is responsible for the assessment of variable cash salary paid to other executives.

No variable remuneration shall be paid if a pre-tax loss is reported.

Pension benefits and other benefits

Pension rights for the CEO and other senior executives shall apply no earlier than from age 65. For the CEO, an amount corresponding to 60 per cent (excluding payroll expenses) of the annual basic salary will be reserved in capital, pension, life and health insurances. Other senior executives are entitled to pension benefits of a maximum of 35 per cent (excluding payroll expenses) of the annual basic salary. Pension agreements are to be concluded according to local rules applicable in the country where the senior executive is resident. All pension benefits are defined contribution and vested, meaning they are not conditional upon future employment in Lifco.

Other benefits, such as a company car, extra health insurance or occupational health services, are to be payable insofar as they are regarded as market-aligned for senior executives in corresponding positions in the labour market where the executive is active. The combined amount of such benefits may constitute only a limited proportion of the total remuneration.

Cessation of employment

If the CEO resigns, he/she shall be subject to a period of notice of six months. If the employment of the CEO is terminated by the company, a period of notice of not more than 18 months will apply. If the employment of another senior executive is terminated by the company, a period of notice of not more than 12 months will apply. The right to salary and other benefits is retained during the period of notice. Basic salary during the period of notice and severance pay shall, combined, not exceed an amount corresponding to basic salary for two years. Termination salary is not to be deductible from other income.

4. Salary and terms of employment for employees

When preparing the Board's proposal on these remuneration guidelines, salary and terms of employment for the company's employees have been considered by having information on the employees' total remuneration, components of the remuneration and the increase and rate of increase in remuneration over time constitute a part of the Remuneration Committee's and the Board's decision documentation when assessing the fairness of the guidelines and the limitations that follow from them.

5. The decision-making process for determining, reviewing and implementing the guidelines

The Board has established a Remuneration Committee. This Committee's tasks include preparing the Board's resolution on proposal concerning guidelines for remuneration to senior executives. The Board shall formulate proposals for new guidelines when needs arise for significant changes in the guidelines, although at least every fourth year, and submit the proposal for resolution by the AGM. The guidelines are to apply until new guidelines have been adopted by the general meeting. The Remuneration Committee shall also monitor and evaluate variable remuneration programs for the company management, the application of guidelines for remuneration to senior executives and applicable remuneration structures and remuneration levels in the company. Members of the Remuneration Committee are independent in relation to the company and executive management. Neither the CEO nor other members of company management participate in the Board of Directors' processing of and decisions on remuneration-related matters, insofar as they are impacted by these matters.

6. Deviation from the guidelines

The Board shall be entitled to partly or fully deviate from the guidelines if there is special reason to do so in an individual case and such deviation is necessary to satisfy the company's long-term interests, including its sustainability, or to safeguard the company's financial viability. As stated above, the Remuneration Committee's tasks include preparing the Board of Directors' resolutions in remuneration-related matters. This includes any resolution to deviate from the guidelines.

Information on remuneration, etc. to senior executives in the 2019 financial year is provided on pages 35–36 and in Note 10 of the 2019 Annual Report.

Enköping, March 2020

The Board of Directors of Lifco AB (publ)