



The Board of Director's report on the Remuneration Committee's evaluation of remuneration to senior executives in accordance with Rule 10.3 of the Swedish Corporate Governance Code

The Board has in accordance with the Swedish Corporate Governance Code (the "Code") established a remuneration committee, which is primarily tasked with monitoring and evaluating programmes for variable compensation for senior executives (both ongoing and programmes that have ended during the year), application of the guidelines for the remuneration of senior executives resolved by the Annual General Meeting as well as current compensation structures and levels in the company.

Nolato's Remuneration Committee consists of Fredrik Arp (chairman) and Henrik Jorlén.

The Board of Directors herewith reports on the result of the Remuneration Committee's evaluation in accordance with Rule 9.1, second and third paragraphs, of the Code.

Objective of Nolato's remuneration

The company's current guidelines for remuneration of senior executives involves that the aggregated total compensation and other terms of employment shall be on market terms. The compensation shall consist of a fixed base salary, variable compensation, pension benefits and other benefits. Variable compensation is a means to encourage and reward good performance and behaviours in order to create long-term shareholder value.

Variable compensation to senior executives

Senior executives are participating in a programme for variable compensation in accordance with the Annual General Meeting's resolution on guidelines for the remuneration of senior executives. Bonus (variable compensation) is based on the extent to which financial targets are met.

Senior executives are also participating in warranty-based incentive programmes. At the 2016 Extraordinary General Meeting and at the 2019 Annual General Meeting issues of share warrants were approved and offered to Nolato's management at market price. Participants in the warranty incentive programmes are offered compensation corresponding to half of the participant's warrant premiums and the income tax charged on such compensation, provided that the participant's employment in the group does not cease before three years have elapsed.

The annual report and the website contain detailed descriptions of variable compensation to executives, programmes etc. For information regarding approved compensation that has not yet been paid, see note 27 in the company's annual report for 2019.

Evaluation of the programmes for variable compensation

The variable compensation programmes have been evaluated at the end of the year and the expected outcome of the program has been reported and discussed.

The evaluation was conducted from a shareholder, employer, employee and legal perspective. The conclusion of the evaluation is that:

1. The programmes are an important factor to attract and retain employees with the required competence.
2. The programmes are well aligned with the shareholders' interests.

Further, the Remuneration Committee has evaluated Nolato's warranty-based incentive programmes and concluded that these fulfils its main purpose of increasing the participants' motivation and their affinity with the company. However, the Remuneration Committee and the Board have concluded that no new share-based incentive programme will be proposed to the 2020 Annual General Meeting. The high volatility in the shares has resulted in very high share warrant prices for the programme approved by the 2019 AGM, making the programme less attractive.

Evaluation of the guidelines

The current guidelines for remuneration of senior executives were adopted by the 2019 Annual General Meeting. The Remuneration Committee has concluded that Nolato has followed these guidelines and considers that the guidelines fulfil the objectives of promoting the company's long-term value creation.

Nolato's external auditors have issued an opinion stating that Nolato has followed the guidelines for fixed base salary and other compensation to the CEO and other senior executives adopted by the 2019 Annual General Meeting.

Compensation structures and compensation levels

The Remuneration Committee's and the Board's assessment is that the compensation structures and compensation levels for the CEO and other senior executives is in line with the going rate in the market and provides good balance between motivating the employees and compensating the employees in a well-balanced and competitive way.

The Remuneration Committee and the Board

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Nolato AB (publ)

Fredrik Arp
Chairman of the Board

Sven Boström-Svensson
Member of the Board

Henrik Jorlén
Member of the Board

Dag Andersson
Member of the Board

Lars-Åke Rydh
Member of the Board

Åsa Hedin
Member of the Board

Jenny Sjö Dahl
Member of the Board

Lovisa Hamrin
Member of the Board

Björn Jacobsson
Workers' representative

Håkan Svensson
Workers' representative