



Guidelines for the remuneration of Senior Executives

The Board of Directors of Nolato AB (publ), reg. nr 556080-4592 (the “**Company**”) propose that the 2020 Annual General Meeting adopt the following guidelines for compensation of board members and senior executives. The senior executives are the CEO and other members of group management.

The guidelines shall apply for the time being, but no longer than until the 2024 Annual General Meeting. The guidelines shall be applied for compensation that is agreed upon, and changes made to already agreed upon compensation. The guidelines do not cover Board remuneration or other compensation resolved upon by a general meeting of shareholders.

Promotion of the Company’s business strategy, long-term interests and sustainability

The Company’s overall objective with its operations is to create long-term growth and stable return for the shareholders. The Company develops and manufactures polymer products and systems for leading customers in specific market areas. Further, the Company has a target-based approach to sustainable development, which creates benefits for the society and the group’s business operations. Sustainable development is an integrated part of the Company’s growth strategy and value creation. The Company’s sustainability work is systematic and targeted. The results are reported in detail in the groups yearly sustainability report. For further information regarding the Company’s business strategy, long-term interests and sustainability, see the Company’s website (www.nolato.com).

The implementation of the Company’s business strategy and capitalization on the Company’s long-term interests including the ability to meet expectations of a sustainable and responsible business enterprise requires that the Company, based on country of employment, has market-based and competitive remuneration levels and terms of employment in order to recruit and retain qualified employees within the group management with the right competence and experience. The guidelines ensure that senior executives can be offered a market-based and competitive total compensation package. The total compensation shall be based on the position, individual performance, the group’s earnings and that the compensation is in line with the going rate in the market and competitive in the country of employment.

Incentive programmes

The Company has established warrant-based incentive programmes for senior executives and other key persons in the group. The incentive programmes have been implemented at market terms and conditions in order to increase the interest for the Company’s business and earnings development. Further, the incentive programmes contribute to an ownership interest and increases the participants’ motivation and their affinity with the Company. Thus, the warrant-based incentive programmes have a clear coupling to the Company’s business strategy and capitalization on the Company’s long-term interests including the ability to meet expectations of a sustainable and responsible business enterprise. The participants may acquire warrants for the purchase of shares at market price. Subscription for B-shares at exercise of the warrants can be made after three years.

The warranty-based incentive programmes that were resolved at the Extraordinary General Meeting 2016 and at the Annual General Meeting 2019 are further described in note 27 in the Company’s 2019 Annual Report, which is kept available on the Company’s website (www.nolato.com).

Since share-based and share price-related incentive programmes are resolved by a general meeting of shareholders, these incentive programmes are not covered by these guidelines.

Forms of compensation

The total compensation for senior executives is based on position, individual performance and the group's earnings. The total compensation may consist of a fixed base salary, variable compensation, pension benefits and other benefits. This includes conditions for cessation of employment and severance pay. The total compensation shall be reviewed yearly to safeguard that the total compensation is in line with the going rate in the market and is competitive. Consideration shall then be taken with regard to position, the size of the Company, salary and the executive's experience. A general meeting of shareholders can, notwithstanding these guidelines, decide on share-based and share-price related compensation.

Fixed base salary

The fixed base salary shall be related to the relevant market and shall reflect the degree of responsibility involved in the position. The fixed based salary shall constitute the basis for total remuneration.

Variable compensation

In addition to fixed base salary, variable compensation may be payable to senior executives. The variable compensation shall be coupled to the outcome of financial ratios and is payable based on the achievement of the targets established by the Board. Positive earnings after financial items are required for the variable compensation to be payable. The criteria shall be formulated to promote the Company's business strategy, long-term interests and sustainability. The variable compensation may amount to a maximum of 50 percent of base salary for the CEO, and a maximum of 40 percent of base salary for other senior executives.

The Company's sustainability work includes an environmental target meaning that carbon dioxide emissions should be reduced in the future in relation to objectives established by the Board. The group-wide ratio is ton carbon dioxide / net revenue. Variable compensation described above is divided as follows.

- Result: 45 percent
- Return on assets: 45 percent
- Environmental goal carbon dioxide: 10 percent

The variable compensation will be calculated on financial and other ratios based on audited reports. The Remuneration Committee approves the remuneration of the CEO and other senior executives.

Participants in the warranty incentive programmes are also 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.

Variable compensation does not qualify as pensionable income.

Pension benefits

The CEO and other senior executives have a defined contribution pension plan prepared in accordance with the levels and practices that apply in the country of employment. The pension premium for senior executives may not exceed 35 percent of the fixed base salary based on the fixed base salary and age. For the CEO and other senior executives, a retirement age of 65 shall apply.

Other benefits

Other benefits, for example health insurance and car benefit, may be payable in accordance with the conditions that apply in the country which the senior executive is employed. However, such benefits should be as small as possible and may amount to a maximum of 10 percent of the fixed base salary unless compulsory rules or local practice requires that additional benefits are paid.

Notice period and severance pay

Senior executives should be offered conditions in accordance with the legislation and practices applicable in the country in which the executive is employed. The notice period may not exceed 24 months. Total redundancy pay and severance pay may not exceed 24 months' pay for the senior executives. Upon termination by the senior executive, the notice period may not exceed 6 months without the right to severance pay. During the notice period, senior executives shall be prevented from engaging in competing activities. To the extent a Board member performs work for the Company, in addition to Board work, consultancy fees and other remuneration may be granted for such work in accordance with a decision by the Board. Other than the board remuneration resolved by the Annual General Meeting no further remuneration is paid for Board membership.

Salary and terms of employment for employees

Salary and terms of employment for employees have been taken into account in the drafting of the Board's proposal for these remuneration guidelines. In the evaluation of the fairness of the guidelines and the limitations that emanate from these the following has formed the basis for the Remuneration Committee's and the Board's decision-making:

- i) Information on the employees' total compensation.
- ii) Compensation components.
- iii) The increase in compensation and the rate of growth over time.

The development of the gap between the remuneration to senior executives and remuneration to other employees will be disclosed in the remuneration report.

The decision-making process for adopting, reviewing and implementing the guidelines

The Board shall prepare a proposal for new guidelines for the Annual General Meeting at least every fourth year. These guidelines shall be in force until new guidelines are adopted by the General Meeting. The Board has established a Remuneration Committee. The committee's duties include conducting preparatory work for the Board's decisions on proposed guidelines for compensation of senior executives, compensation and other terms of employment for this group. The Remuneration Committee shall also monitor and evaluate programs for variable remuneration for the senior executives, the application of the guidelines for senior executive remuneration as well as the current remuneration structures and compensation levels in the Company. The Chairman of the Board can serve as chairman of the Remuneration Committee. Other members of the Remuneration Committee shall be independent of the Company and its senior executives.

The CEO and other senior executives do not participate in the Board's processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

If the Remuneration Committee uses the services of an external consultant, it is to ensure that there is no conflict of interest regarding other assignments this consultant may have for the Company or the senior executives.

Temporary deviation from the guidelines

The Board may temporarily resolve to deviate from the guidelines entirely or partly if the Board deems that in a specific case there is special cause for the deviation and a deviation is deemed necessary to safeguard the Company's long-term interests and to meet expectations of a sustainable and responsible business enterprise, or to ensure the Company's financial viability. If such deviation is made it must be reported at the next Annual General Meeting. It is part of the Remuneration Committee's duties to conduct preparatory work for the Board's decision to deviate from the guidelines.