

# PROPOSAL BY THE BOARD OF DIRECTORS FOR GUIDELINES FOR THE REMUNERATION OF SENIOR EXECUTIVES

The Board proposes that the Annual General Meeting (AGM) on 19 May 2020 passes a resolution on the following guidelines for setting the salary and other remuneration of Board members, the company's CEO and other senior executives of the group management. The senior executives within the group management includes currently the CEO, CFO, Head of Communications and Investor Relations, Head of Talent Management, Head of Corporate Development, Head of Sales, Marketing and Delivery, Head of Research and Development, Head of Product Management, Head of Supply Chain Management, Head of Service and CTO/Head of IP and Future Technology.

These guidelines are applicable to agreements executed after the AGM's decision or in case of amendments made in present agreements after the AGM. This proposal on guidelines is not applicable to Board fees decided by the general meeting or issues and transfers that are subject to decisions in accordance with Chapter 16 of the Swedish Companies Act.

## **The guidelines promotion of the company's business strategy**

Climeon's business strategy is to contribute to the future of sustainable energy with innovative thermal power solutions that are profitable for customers – Business for a better world. Additional information of Climeon's business strategy please see <https://climeon.com/the-company/> and the annual accounts <https://mb.cision.com/Main/12353/3101562/1239706.pdf>.

It is important for the company and its shareholders that these guidelines, in a short- and long-term perspective, can secure good possibilities to recruit and keep qualified employees. The objectives with the guidelines are to create increased transparency in remuneration issues and through relevant remuneration structure create incentives for senior executives to implement strategic plans and deliver good operating outcome that supports the company's business strategy and long term interests, including sustainability. In order to achieve this, it is important to be able secure market-based and competitive terms for senior executives.

## **Remuneration and types of remuneration**

The remuneration to senior executives should be in line with market terms and competitive and consist of a fixed salary, pension benefit and other benefits. Currently, no variable remuneration is offered.

### **Fixed salary**

The basis for the remuneration of senior executives is that remuneration will be paid in the form of a fixed market rate salary, which should be set individually on the basis of position, competence, experience and achieved results. The fixed salary is to be revised annually

### **Share-based incentive programs**

In order to create further incentive and strengthen long term decision makings, the Board may propose the general meeting to decide on share-based incentive programs.

For more information of outstanding incentive programs please see the company's Annual Report Note \_\_ and information on the company's web site [www.climeon.com](http://www.climeon.com).

**Pension benefits**

The pension conditions for senior executives should be in line with market conditions generally applicable for equivalent executives in the market and be individually adapted on the basis of the respective senior executive's specific competence and the company's costs. Pension benefits, including health insurance, shall be on a defined contribution basis. The defined pension premium is capped at 15% of the fixed salary. Retirement age for senior executives is 65 years. For further information of the pension terms please see the company's Annual Report Note 9

**Other benefits**

In addition to salary and pension benefits, other benefits such as medical insurance and in some cases car benefits, are provided to the senior executives. These combined amount of such benefits in relation to the total remuneration shall constitute only a limited value of the total remuneration and correspond to the benefits normally arising in the market.

**Termination terms**

Notice period for senior executives is three months. None of the senior executives is entitled to severance pay.

**Salary and employment conditions for other employees.**

In the preparation of the Board of Directors' proposal for these remuneration guidelines, salary and employment conditions for employees of the company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable. The development of the gap between the remuneration to executives and remuneration to other employees will be disclosed in the remuneration report prior to the AGM 2021.

**Decision making process to determine, review and implement the guidelines**

The Board has constituted a remuneration committee for the preparation of remuneration matters for senior executives etc. The remuneration committee shall observe and review variable remuneration programs (if any) for senior executives, the implementation of the remuneration guidelines, as well as applicable remuneration structures and remuneration levels in the company. The remuneration committee shall review the guidelines for remuneration of senior executives and if applicable propose updates of the guidelines to the Board.

The Board is responsible to make proposals of new guidelines at least every fourth year and submit it to the general meeting. The guidelines shall be in force until new guidelines are adopted by the general meeting.

The CEO and other senior executives do not participate in the Board processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters. In all decisions, conflicts of interest are counteracted and all interest of conflicts are treated in accordance with the company's interest of conflict policy adopted by the Board with the aim to secure professional and distinct guidance in such matters.

**Remuneration to Board members**

The Board members appointed by the general meeting may in special cases receive fees and other remunerations for the work performed on behalf of the company besides the Board work. Any fees for such services shall be on market terms and approved by the Board.

**Derogation from the guidelines**

The Board of Directors may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the company's long-term interests, including its sustainability, or to ensure the company's financial viability

Kista in April  
Climeon AB (publ)  
Board of Directors