

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

The Board of Directors proposes that the Annual General Meeting ("**AGM**") adopts the following guidelines for remuneration to the CEO and the other senior executives in the Executive Management Team of Bufab.

The guidelines shall apply to agreements entered into after the AGM 2020, and to changes made in existing agreements after the AGM 2020. These guidelines do not apply to any remuneration decided or approved by the general meeting.

Remuneration under employments subject to other rules than Swedish may be duly adjusted to comply with mandatory rules or local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

### ***Promotion of Bufab's business strategy, long-term interests and sustainability***

Bufab is a trading company that offers its customers a full-service solution as Supply Chain Partner for sourcing, quality control and logistics for C-Parts. In short, Bufab's strategy is to create value for its customers by taking a comprehensive global responsibility for their supply of such components. One fundamental component of Bufab's strategy for long-term value creation in the business is Bufab's global organization of experts within sourcing, logistics, technology and quality, so called "Solutionists". These employees in Bufab's subsidiaries around the world take full responsibility for the distribution to the customers and ensure the sustainability of the customers supply chain. Hence, a prerequisite for the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the company is able to attract and retain qualified personnel. To this end, Bufab strives to offer a competitive total remuneration, which is enabled through these guidelines. More information on Bufab's business strategy is available on Bufab's website [bufab.com](http://bufab.com).

Long-term share-related incentive schemes have been implemented in the company. Since the incentive schemes have been resolved by the general meeting, they are excluded from these guidelines. The long-term share-related incentive scheme proposed by the Board of Directors and submitted to the AGM 2020 for approval is excluded for the same reason. The proposed scheme essentially corresponds to existing schemes and includes the CEO, other senior executives and certain other key employees within the Bufab group. The purpose of the incentive schemes is that the participants through their own investments and multi-year holdings of call options regarding the shares in Bufab are to participate in and be motivated to strive for a positive value development for Bufab. The incentive schemes contribute to Bufab offering a competitive total remuneration and thereby enable Bufab to attract and retain qualified employees, and also unite the interests of the shareholders and the participants, which in turn is expected to promote the company's business strategy and long-term interests, including its sustainability. More information on these incentive schemes is available on Bufab's website [bufab.com](http://bufab.com).

### ***Types of remuneration to senior executives, etc.***

The remuneration shall be on market terms and may consist of the following components: fixed cash salary, variable cash remuneration, pensions, other benefits and in special cases further variable cash remuneration. Additionally, the general meeting may – irrespective of these guidelines – resolve on, among other things, share-related or share price-related remuneration.

#### ***Fixed cash salary***

The fixed cash salary shall be on market terms and reflect the responsibilities required by the position. The fixed cash salary shall be revised on an annual basis.

## *Variable cash remuneration*

The variable cash remuneration shall be linked to predetermined and measurable criteria which can be financial or non-financial, with the purpose of promoting the business strategy and long-term interests of Bufab. The criteria shall primarily relate to the company's results and may be individual. Furthermore, the criteria shall relate to the overall progress of the Bufab group, although criteria related to specific business areas may occur. The variable cash remuneration shall amount to a maximum of 50 percent of the total fixed annual cash salary.

## *Pensions*

Senior executives may be offered individual pension solutions. Pensions shall, to the extent possible, be defined contribution plans. If deemed to be on market terms, variable cash remuneration may qualify for pension benefits. The pension premiums may amount to a maximum of 40 percent of the pension qualifying income.

## *Other benefits*

Other benefits may include, among other things, health insurance and company car. Such benefits may amount to a maximum of 10 percent of the fixed annual cash salary.

## *Further variable cash remuneration in special cases*

Further variable cash remuneration may be awarded in extraordinary circumstances, provided that such extraordinary arrangements are limited in time and only made on an individual basis, either for the purpose of attracting or retaining executives, or as remuneration for extraordinary performance beyond the individual's ordinary tasks. Such remuneration may not exceed an amount corresponding to 50 percent of the fixed annual cash salary and may not be paid more than once each year per individual. Any resolution on such remuneration shall be made by the Board of Directors based on a proposal from the Remuneration Committee.

## ***Determination of the outcome for variable cash remuneration***

Ahead of each measurement period, the Board of Directors shall, based on the work of the Remuneration Committee, establish which criteria that are deemed to be relevant for the variable cash remuneration. The measurement periods can be one or several years. The Board of Directors' evaluations regarding fulfilment of financial targets shall be based on established financial information for the relevant period. Variable cash remuneration can be paid after the measurement period has ended or be subject to deferred payment. The Board of Directors shall have the right to, by general principles of law or agreement, recover wrongful payments of variable cash remuneration in whole or in part.

## ***Termination of employment***

Senior executives are to be employed until further notice. Between Bufab and senior executives, the notice period shall amount to a maximum of 18 months. If notice of termination of employment is made by Bufab, the remuneration to be paid by Bufab, including remuneration during the notice period, shall amount to a maximum of 18 months of fixed cash salary, variable cash remuneration and other employment benefits. When termination is made by the senior executives, there is no right to severance pay.

Additionally, senior executives may be compensated for non-compete undertakings. Such remuneration aim to compensate the senior executive for the difference between the fixed monthly cash salary at the time of termination of the employment and the lower income that can be received, reasonably may be expected to be received or would have been received after reasonable efforts by the senior executive.

## ***Salary and employment conditions for employees***

In the preparation of the Board of Directors' proposal for these guidelines, salary and employment conditions for the company's employees 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 Remuneration Committee's and the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

### ***The decision-making process to determine, review and implement the guidelines***

The Remuneration Committee's tasks include preparing the Board of Directors' decision to propose guidelines for remuneration to senior executives. The Board of Directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the AGM. The guidelines shall be in force until new guidelines are adopted by the general meeting. The Remuneration Committee shall also monitor and evaluate programs for variable remuneration for the senior executives, the application of the guidelines for remuneration to senior executives as well as the current remuneration structures and compensation levels in the company. The CEO and other senior executives do not participate in the Board of Directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

### ***Deviation from the guidelines***

The Board of Directors may temporarily resolve to deviate from the guidelines, in whole or in part, if in a specific case there is special cause for the deviation and a deviation is necessary to serve Bufab's long-term interests, including its sustainability, or to ensure Bufab's financial viability. As set out above, the Remuneration Committee's tasks include preparing the Board of Directors' resolutions in remuneration-related matters. This includes any resolutions to deviate from the guidelines.

### ***Transitional provisions applicable for the AGM 2020***

Details of the total remuneration to the CEO and the other senior executives, including previous commitments not yet due for payment, is included in Note [6] in the annual report for 2019.

---

Värnamo in March 2020

Bufab AB (publ)  
*The Board of Directors*