

This is a non-official translation of the Swedish original wording. In case of differences between the English translation and the Swedish original, the Swedish text shall prevail.

PROPOSAL OF THE BOARD OF DIRECTORS ON GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES

The Board proposes that the Annual General Meeting resolves on guidelines for remuneration to the managing director and other senior executives as follows. Other senior executives are defined as members of the group management. The guidelines are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the Annual General Meeting. These guidelines do not apply to any remuneration decided or approved by the general meeting.

Guiding principles and types of remuneration

A prerequisite for the successful implementation of the company's vision, business strategy and safeguarding of its long-term interests, including its sustainability, is that the company is able to attract and retain qualified senior executives. To this end, it is necessary that the company offers competitive remuneration on market terms. These guidelines enable the company to offer the executive management a competitive total remuneration. More information regarding HEXPOL's vision and business strategy is available on the company's website www.hexpol.com.

Types of remuneration

The total remuneration to senior executives shall be on market terms and consist of fixed cash salary, variable remuneration, other benefits and pension. Additionally, the general meeting may – irrespective of these guidelines – resolve on, among other things, share-related or share price-related incentive programmes.

Fixed remuneration

The fixed remuneration for senior executives in HEXPOL shall be market-based and competitive. It shall be based on the individual executive's area of responsibility, authority, competence and level of experience.

Variable remuneration

In addition to fixed annual cash salary, senior executives shall be able to obtain a variable remuneration. The criteria for the remuneration and the conditions for payment shall be designed so as to contribute to the company's vision, business strategy and long-term interests, including its sustainability, by for example being clearly linked to the business strategy or promote the executive's long-term development. The criteria applied are based on earnings, earnings per share and working capital. The variable remuneration consists of two parts. The first part, annual variable cash remuneration, shall be linked to individualised predetermined and measurable criteria and shall be based on earnings and working capital. The second part, cash remuneration in accordance with the company's long-term cash-based incentive program (LTI), shall be based on increased earnings per share.

For cash remuneration in accordance with LTI, payment of the remuneration shall be made by half the second year after the measurement period has ended and the remaining half the third year after the measurement period has ended. The design of the criteria for variable cash remuneration and the terms for payment contributes to the company's vision, business strategy, long-term interests and sustainability.

When the measurement period has ended it shall be determined to which extent the criteria for awarding variable cash remuneration have been satisfied. The remuneration committee is responsible for the evaluation so far as it concerns variable cash remuneration to the managing director. For variable cash remuneration to other executives, the managing director is responsible for the evaluation. For financial objectives, the evaluation shall be based on the latest financial information made public by the company.

The satisfaction of criteria for awarding variable cash remuneration shall be measured over a period of one year. The variable cash remuneration is capped and shall constitute a maximum of 130 per cent of the fixed annual cash salary, of which 80 percent is attributable to annual cash remuneration and 50 percent is attributable to LTI.

Pension

For senior executives, pension benefits shall be paid not earlier than from the age of 60 years. For the managing director, pension benefits, including health insurance (*Sw: sjukförsäkring*), shall either be benefit or fee based, or a combination of both. Variable cash remuneration shall in general not qualify for pension benefits. Variable cash remuneration shall qualify for pension benefits only to the extent required by mandatory collective agreement provisions applicable to the executive. For other executives, pension benefits, including health insurance, shall either be benefit or fee based, or a combination of both. The pension premiums for premium defined pension shall amount to no more than 45 per cent of the fixed annual cash salary.

Other benefits

Other benefits may include, for example, life insurance, medical insurance (*Sw: sjukvårdsförsäkring*) and company cars. Premiums and other costs relating to such benefits may amount to not more than 10 per cent of the fixed annual cash salary.

In relation to employments governed by rules other than Swedish, duly adjustments may be made for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

Termination of employment

The notice period shall normally be six months on the part of the employee, without the right to severance pay. Between the company and the managing director, the managing director is entitled to a notice period of six months. At notice of termination by the company, a notice period of 24 months shall apply. For other senior executives the notice period shall normally be 12 months on the part of the company. Fixed cash salary during the period of notice and severance pay may normally together not exceed an amount equivalent to the fixed cash salary for two years for the managing director, and the fixed cash salary for one year for other senior executives.

Salary and employment conditions for 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 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 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 to determine, review and implement the guidelines

The board of directors has established a remuneration committee. Remuneration to the managing director and other senior executives shall be prepared by the remuneration committee and resolved by the board of directors based on the proposal of the remuneration committee. The committee's tasks include preparing the board of directors' decision to propose guidelines for executive remuneration. The board of directors shall prepare a proposal for 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 remuneration committee shall also monitor and evaluate programs for variable remuneration for the executive management, the application of the guidelines for executive remuneration as well as the current remuneration structures and compensation levels in the company. The managing director and other members of the executive management 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. The Board of Directors shall annually draw up a remuneration report that shall be presented to the Annual General Meeting for approval.

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. 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 derogate from the guidelines.

Description of material changes of the guidelines and how the shareholders' opinions are considered

No material amendments have been made to the guidelines. In relation to the guidelines for remuneration to senior executives adopted on the Annual General Meeting 2020, the pension premiums for premium defined pension have changed from 30 per cent to 45 per cent of the fixed annual cash salary.

No remarks on the remuneration guidelines have emerged.

Malmö in March 2021
HEXPOL AB (publ)
The Board of Directors