

REMUNERATION REPORT 2021

Introduction

This report describes how the guidelines for executive remuneration of HEXPOL AB (publ), adopted by the annual general meeting 2021, were implemented in 2021. The report also provides information on remuneration to the CEO and the deputy CEO and information on share-related and share price-related incentive programs. The report has been prepared in accordance with the Swedish Companies Act and the Remuneration Rules issued by the Swedish Corporate Governance Board.

Further information on executive remuneration is available in note 4 (Employees and personnel costs) on pages 71-72 in the annual report 2021. Information on the work of the remuneration committee in 2021 is set out in the corporate governance report available on pages 53-59 in the annual report 2021.

Remuneration of the board of directors is not covered by this report. Such remuneration is resolved annually by the annual general meeting and disclosed in note 4 on pages 71-72 in the annual report 2021.

Key developments 2021

The CEO summarizes the company's overall performance in his statement on pages 2-4 in the annual report 2021.

The company's remuneration guidelines: scope, purpose and deviations

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 can recruit and retain qualified personnel. To this end, the company must offer competitive remuneration. The company's remuneration guidelines enable the company to offer executives a competitive total remuneration. Under the remuneration guidelines, executive remuneration shall be on market terms and may consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. The variable cash remuneration shall be linked to individually adapted predetermined and measurable criteria. The criteria shall be designed to contribute to the company's 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 guidelines are found on pages 44-46 in the annual report 2021.

During 2021, the company has complied with the applicable remuneration guidelines adopted by the general meeting. For information purposes, a commitment on remuneration that is due after 5 years of additional employment for two members of the Group management has been decided on. The remuneration is not covered by the guidelines for remuneration to senior executives, but the decision has nevertheless complied with the decision-making process that according to the guidelines shall be applied when determining remuneration. The auditor's report regarding the company's compliance with the guidelines is available on HEXPOL's website www.hexpol.com. No remuneration has been reclaimed. In addition to remuneration covered by the remuneration guidelines, the company has no outstanding incentive programs.

Table – Total remuneration to CEO and the deputy CEO during 2021 (TSEK)*

Name of director (position)	1 Fixed remuneration		2 Variable remuneration		3 Extraordinary items	4 Pension expense	5 Total remuneration	6 Proportion of fixed and variable remuneration ****
	Base salary	Other benefits**	One-year variable	Multi-year variable***				
Georg Brunstam (CEO)	12,300	618	9,840	6,150	-	5,538	34,446	54% /46%
Peter Rosén (deputy CEO)	3,900	251	2,340	1,950	-	1,076	9,517	55% / 45%

* Except for Multi-year variable remuneration, the table reports remuneration earned in 2021. Multi-year variable remuneration is reported if vested in 2021. Disbursement of any payments may or may not have been made the same year.

** Example: Company car

*** LTI

**** Pension expense (column 4), which in its entirety relates to Base salary and is premium defined, has been counted entirely as fixed remuneration.

Share-based remuneration

The company has no outstanding share-related or share price-related incentive programs.

Application of performance criteria

The performance measures for the CEO's and the deputy CEO's variable remuneration have been selected to deliver the company's strategy and to encourage behaviour which is in the long-term interest of the company. In the selection of performance measures, the strategic objectives and short-term and long-term business priorities for 2021 have been taken into account.

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 paid in accordance with the company's long-term cash-based incentive program (LTI), is based on increased earnings per share.

For cash remuneration according to LTI, conditions apply that payment of the remuneration shall take place with half one year after the end of the measurement period and with the remaining half two years after the end of the measurement period. The design of the criteria for variable cash remuneration and the conditions for payment contributes to the company's vision and business strategy as well as long-term interests and sustainability.

Table – Performance of the CEO and the deputy CEO in the reported financial year: variable cash remuneration

Name of director (position)	1 Description of the criteria related to the remuneration component	2 Relative weighting of the performance criteria	3
			a) Measured performance and b) actual award/remuneration outcome
Georg Brunstam (CEO)	Operating profit 2021	43%	a) MSEK 3,074 b) TSEK 6,888
	Working capital 2021	18%	a) 7.1 % b) TSEK 2,952
	Improved shareholder return 2021 (LTI)	39%	a) 6.1 % b) TSEK 6,150*
Name of director (position)	1 Description of the criteria related to the remuneration component	2 Relative weighting of the performance criteria	3
			a) Measured performance and b) actual award/remuneration outcome
Peter Rosén (deputy CEO)	Operating profit 2021	38%	a) MSEK 3,074 b) TSEK 1,638
	Working capital 2021	16%	a) 7.1 % b) TSEK 702
	Improved shareholder return 2021 (LTI)	46%	a) 6.1 % b) TSEK 1,950*

* Variable remuneration within the framework of LTI. Payment of remuneration takes place with half one year after the end of the measurements period and with the remaining half two years after the end of the measurement period.

Comparative information on the change of remuneration and company performance

Table – Change of remuneration and company performance over the last five reported financial years (RFY) (TSEK)

	RFY-4 vs RFY-5	RFY-3 vs RFY-4	RFY-2 vs RFY-3	RFY-1 vs RFY-2	RFY vs RFY-1	RFY 2021
CEO remuneration	+4,335 (+24.3%)	-3,273 (-14.8%)*	-7,554 (-40.0%)	+131 (+1.2%)	+22,981 (+200.4%)**	34,446
Remuneration to deputy CEO	-	-	-	-	+8,889 (+1,415.4%***)	9,517
Group operating profit	+65,000 (+3.4%)	+164,000 (+8.3%)	-107,000 (-5.0%)	-108,000 (-5.3%)	+1,139 (+58.9%)	3,074,000
Average remuneration on a full time equivalent basis of employees**** of the parent company	+127 (+9.9%)	+125 (+8.8%)	-611 (-39.8%)	+61 (+6.6%)	+3 (+0.0%)	986

* Georg Brunstam was CEO until 7 May 2017. Karin Gunnarsson was acting CEO from 8 May 2017 through 3 July 2017. Mikael Fryklund was CEO as from 4 July 2017.

** Mikael Fryklund was CEO until 16 February 2020. Peter Rosén was acting CEO from 17 February 2020 through 19 November 2020 and Georg Brunstam was CEO as from 20 November 2020. Georg Brunstam acted as working Chairman of the Board from 17 February 2020 through 19 November 2020 and received TSEK 10,924 as remuneration, which amount is not included in the amount stated in the table. Georg Brunstam has not received board fees during this period.

*** Peter Rosén was deputy CEO as from 20 November 2020. The company has not previously had a deputy CEO.

**** Excluding members of the group executive management.

Description of how opinions expressed when the general meeting addressed an earlier remuneration report have been taken into consideration

No remarks on previous remuneration reports have emerged.

Malmö in March 2022
HEXPOL AB (publ)
The Board of Directors