



The Board of Directors proposal on guidelines for remuneration for senior executives

The Board of Directors of GARO Aktiebolag (publ) proposes that the Annual General Meeting 2020 resolves on the following guidelines for remuneration for senior executives.

Scope of the guidelines, etc.

The persons that during the guidelines duration are part of the Group management and other senior executives that report directly to the CEO and Board Members that is employed by the company, hereinafter referred to as “senior executives”. fall within the provisions of these guidelines. The guidelines are forward-looking, i.e. they are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the Annual General Meeting 2020. These guidelines do not apply to any remuneration decided or approved by the General Meeting.

If a Board Member conducts work for the company that is not Board work, remuneration shall be paid on market terms taking into account the nature and effort of the work. The remuneration shall be determined by the Board (or the General Meeting if required by law). Board Members employed by the company shall not receive separate remuneration for Board assignments in the company or affiliate companies.

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

The guidelines’ promotion of the company’s business strategy, long-term interests and sustainability

In short, the company’s business strategy is to, with a focus on innovation, sustainability and design, provide profitable complete solutions for the electrical industry. For more information regarding the company’s business strategy, please see <http://corporate.garo.se/en/about-garo/our-mission>. 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 recruit and retain qualified personnel. To this end, it is necessary that the company offers competitive remuneration. These guidelines enable the company to offer the executive management a competitive total remuneration.

Variable cash remuneration covered by these guidelines shall aim at promoting the company’s business strategy and long-term interests, including its sustainability.

Types of remuneration, etc.

The remuneration shall be on market terms and may consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. Additionally, the General Meeting may – irrespective of these guidelines – resolve on, among other things, share-related or share price-related remuneration.

The satisfaction of criteria for awarding variable cash remuneration shall be measured over a period of one year. The variable cash remuneration for the CEO may amount to not more than

MSEK 2 per year and shall not be pensionable income. The variable cash remuneration to other senior executives shall not exceed 30 per cent of the fixed annual cash salary. The variable cash remuneration shall be linked to clear performance related criteria in easy and transparent designs. The criteria can be financial, non-financial or be individualized, quantitative or qualitative objectives. The criteria shall be designed so as 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. Currently, these criteria include among others sales and earnings based financial criteria.

When the measurement period has ended, an assessment/evaluation to which extent the criteria for awarding variable cash remuneration has been satisfied shall be made. The Board of Directors is responsible for the evaluation so far as it concerns variable remuneration to the CEO. For variable cash remuneration to other executives, the CEO is responsible for the evaluation. For financial objectives, the evaluation shall be based on established financial data for the relevant period.

For the CEO, pension benefits, including health insurance (*Sw: sjukförsäkring*), shall be premium defined. The pension premiums for premium defined pension shall amount to not more than 30 per cent of the pensionable income. For other executives, pension benefits, including health insurance, shall be premium defined unless the individual concerned is subject to defined benefit pension under mandatory collective agreement provisions. The pension premiums for premium defined pension shall amount to not more than 30 per cent of the pensionable income.

The non-cash remuneration to the Group management, e.g. car allowance, computer, cell-phone, additional private health insurance or private health service, can be paid to the extent considered to be in accordance with relevant market terms for senior executives at other corresponding positions on the market on which the company operates. Such benefits may amount to not more than 15 per cent of the fixed annual cash salary.

Termination of employment

The notice period may not exceed twelve months if notice of termination of employment is made by the company. Fixed cash salary during the period of notice and severance pay may together not exceed an amount equivalent to the CEO's fixed cash salary for two years, and one year for other executives. The period of notice may not to exceed six months without any right to severance pay when termination is made by the executive.

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 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.

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

The Board of Directors has not established a Remuneration Committee, since the Board of Directors found it more appropriate for the entire Board to fulfil the duties of the Remuneration Committee. 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 Board of Directors 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 CEO 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.

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.

Information on remuneration resolved upon but not yet due for payment

Information on remuneration resolved upon but not yet due for payment is presented in note 8 of the Annual Report 2019.

Gnosjö in April 2020
GARO Aktiebolag (publ)
The Board of Directors