

## **Report of the Board of Directors of Bulten AB (publ) on the remuneration committee's result from the evaluation of the remuneration system at Bulten AB (publ)**

The Board has established a remuneration committee. The remuneration committee has the task of preparing matters relating to remuneration for senior management where the committee's primary tasks are to:

- preparing the Board's resolutions regarding issues relating to remuneration principles, remuneration and other terms and conditions of employment for the company management,
- monitoring and evaluating programmes which are in progress or were concluded during the year for variable remuneration for the company management, and
- monitoring and evaluating the application of the guidelines for remuneration for senior management which, by law, the AGM must decide on, as well as prevailing remuneration structures and levels of remuneration in Bulten.

### **Guidelines for remuneration for senior management**

The guidelines for remuneration for senior management were adopted by the AGM in 2014. The guidelines stipulate that remuneration shall be such that Bulten must be able to ensure that the Group can recruit and retain competent senior managers. Remuneration within the Group shall therefore be based on the principles of performance, competitiveness and fairness. The guidelines for senior managers accepted by the meeting, at each time, are available on Bulten's website, [www.finnvedenbulten.com](http://www.finnvedenbulten.com).

The remuneration committee conducts recurrent comparative studies on remuneration and the remuneration levels at FinnvedenBulten. The remuneration committee also collects publicly available information on remuneration for senior managers in other companies. Using the collected information as a basis, the remuneration committee compared the remuneration received by senior managers within the Bulten Group with the remuneration and remuneration levels offered by other companies.

The remuneration committee's conclusions based on the above studies are that the principles expressed in the guidelines for senior managers adopted by the AGM are generally regarded as competitive. During the year salary revision has been conducted in order to secure that remuneration and principles for remuneration levels are competitive.

### **Fixed salary, pension and other benefits**

The remuneration for senior management has comprised a fixed salary in line with market conditions and based on the senior manager's responsibilities, expertise and performance. All remuneration for senior management has been established on a calendar year basis. Furthermore, senior managers have been entitled to customary non-monetary benefits, such as health and medical insurance, a company car and occupational healthcare.

Senior managers domiciled in Sweden have been offered a contributory pension agreement based on premiums which amount to a maximum of 35% of the fixed annual salary on an annual basis (in addition to pension benefits to which senior managers are entitled in accordance with ITP plans). Senior managers who are domiciled outside Sweden or are domiciled in Sweden but have a significant link to another country or have previously been domiciled in another country have, in appropriate cases, been offered pension solutions that are competitive in the country in which the persons are or have been domiciled or to which they have a significant link. Defined-benefit pension solutions have not been applied.

### **Variable remuneration**

The 2014 programme for variable remuneration for senior management was based on performance goals related to operating profit prior to goodwill depreciation (EBITA) and ROCE. The goals for the outcome of variable remuneration are based at 60% of the outcome of EBITA in the Group and at 40% of the outcome of ROCE. For senior management responsible for the Bulten division and for Finnveden Metal Structures division the variable remuneration was based on corresponding targets for each division.

The outcome of the programme for variable remuneration has been limited to a maximum percentage of the respective manager's fixed remuneration. According to the guidelines for remuneration for senior management adopted by the AGM in April 2014, the variable remuneration may be based on performance targets. For the CEO this amounts to 60% of the annual fixed salary and for other senior managers it amounts to a maximum of 40% of the annual fixed salary. The variable remuneration would not be pensionable.

Participants in the meetings of the remuneration committee have been kept continuously up to date as regards the outcome of the 2014 programme for variable remuneration based on performance targets.

Until June 30, 2014 management group consisted of three people; CEO Johan Westman, Executive Vice President Tommy Andersson and CFO Helena Wennerström. In connection with the divestment of division Finnveden Metal Structures Johan Westman's employment ended and the management team's composition changed. As of July 1, 2014, the management team consists of seven people, incl. the new CEO Tommy Andersson and Executive Vice President and CFO Helena Wennerström.

The variable remuneration paid for 2014 programme to present CEO Tommy Andersson and other senior managers amounts to SEK 2,295,460. The average outcome of the 2014 programme for variable remuneration amounts to 75%. The outcome is in full based on Bulten division's achievements as the divestment of Finnveden Metal Structures' as of June 30 2014 made it impossible to follow-up in relation to targets set for the whole group.

The variable remuneration for the 2014 program based on performance targets for the CEO Johan Westman amounted to 132.9% of the total salary, which includes a special exit bonus, see below statement "Deviation from the guidelines." For the current CEO Tommy Andersson the variable remuneration for the 2014 program amounted to 39.7% of total fixed salary, which amount includes compensation for his time as President and other senior management. Other executives

have variable remuneration for the 2014 program amounted to 30.7% of the fixed salary. In addition to variable remuneration for the 2014 program has been variable remuneration in respect of subsistence and other allowances paid to an amount of 55 128 SEK in accordance with applicable policies and collective agreements. Vacation benefits were only paid on a fixed salary.

The remuneration committee intends to follow up the performance targets related to growth and operating profit before goodwill amortization (EBITA) but also introduce parameter related to capital turnover. The Board of Bulten has decided to propose to the AGM that the proposed parameters are introduced as the basis for the outcome of the variable remuneration. The combination of these parameters provides a well-mirror image of the goals for 2015.

### **Long-term share-based incentive programme**

No long-term share-based incentive programme exists.

### **No deviations from the guidelines**

The Board was given at the 2014 AGM mandate to deviate from the guidelines in individual cases, provided that the specific reasons for such deviation exists. Board of Directors during the year utilized this opportunity.

Background: In connection with the sale process of division Finnveden Metal Structures the former CEO Johan Westman was a key person in the active sales efforts and negotiations. The buyer set demands that Johan Westman's employment with the Group ended to allow for implementation in a key role in the buying group, a role that he needed to persist for at least until 31 December 2014. In order to create incentives, defend the interests of shareholders and facilitate the divestment of division Finnveden Metal Structures the Board decided to offer Johan Westman a special bonus compensation (so-called exit bonus) provided that the deal could be implemented within the framework of the Board's established criteria.

The deal was completed June 30, 2014 met the conditions set by the Board. Then Johan Westman remained as an employee of the buyer at the end of 2014, the conditions for contractual exit bonus.

Furthermore, the Board decided to separate Johan Westman from his position as CEO June 30, 2014, which gave Johan Westman entitled to contractual termination and severance pay. According to Johan Westman's employment agreement was compensation from other employer deducted from the contractual severance pay. The Board decided, however, that no deduction should be made of the severance pay for the reasons outlined above.

Taken together, the above means that Johan Westman's variable compensation amounted to 132.9% of base salary (including contractual termination and severance pay). This deviates from the guidelines Annual General Meeting decided on April 29, 2014, which provides that the variable remuneration of the CEO maximum shall be 60%.