

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

The Board of FinnvedenBulten AB (publ), reg. no. 556668-2141 ("FinnvedenBulten"), has established a remuneration committee which has the task of preparing matters relating to remuneration for senior management. The committee's primary tasks are:

- 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 FinnvedenBulten.

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

The guidelines for remuneration for senior management were adopted by the AGM in 2011. They stipulate that remuneration must ensure that FinnvedenBulten 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 are available on FinnvedenBulten's website, [www.finnvedenbulten.com](http://www.finnvedenbulten.com).

The remuneration committee has conducted a comparative study on remuneration and remuneration levels at FinnvedenBulten. The companies included in the study are comparable to FinnvedenBulten with respect to such factors as industry, size, profit and number of employees. The remuneration committee has also collected 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 FinnvedenBulten 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. Likewise the existing remuneration and principles for remuneration levels are competitive.

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

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 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 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 2011 programme for variable remuneration for senior management was based on performance goals related to operating profit prior to goodwill depreciation (EBITA) and average operating capital/sales. The goals for the outcome of variable remuneration are based at 75% of the outcome of EBITA in the Group and at 25% of the outcome of average operating capital/sales in the Group. For senior management responsible for the Bulten division, however, the goals for the outcome of variable remuneration are based at 25% of the outcome of the above-stated goals for the Group and at 75% of the outcome of corresponding goals for the Bulten division.

The outcome of the programme for variable remuneration is always 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 2011, 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 is not pensionable.

Participants in the meetings of the remuneration committee have been kept continuously up to date as regards the outcome of the 2011 programme for variable remuneration based on performance targets.

The variable remuneration for the 2011 programme based on performance targets for senior managers amounted to SEK 2,202,100 during 2011. The average outcome of the 2011 programme for variable remuneration has been 100% for the Group's established programme, 100% for the Bulten division's established programme and 70% for Finnveden Metal Structures' established programme. The variable remuneration for the 2011 programme based on performance goals amounted to 42.5% of the fixed salary for the CEO and 40% of the fixed salary for other senior managers. The remuneration committee has therefore drawn the conclusion that the parameters used for the establishment of variable remuneration for the 2011 programme based on performance goals have been working well. In addition, costs for holiday remuneration, allowable expenses and other remuneration amounted to SEK 804,102 in accordance with applicable policy and collective agreement. Holiday remuneration is made up of both fixed salary and variable remuneration in accordance with the company's policy and collective agreement.

The remuneration committee intends to follow up the performance targets related to operating profit prior to goodwill depreciation (EBITA) but also to introduce parameters related to ROCE (Return on Capital Employed) as a performance goal as well as KPIs (Key Performance Indicators). The Board of FinnvedenBulten resolved on 6 February 2012 to introduce these parameters as the basis for the outcome of variable remuneration. The combination of these parameters provides a good reflection of the company's goals for 2012.

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

A long-term share-based incentive programme previously existed in the Group but was phased out in connection with the list of the Company's shares.

## **No deviations from the guidelines**

There have been no deviations from the guidelines adopted at the 2011 Annual General Meeting regarding remuneration for senior management.

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Gothenburg, April 2012

FinnvedenBulten AB (publ)

Board of Directors