

## **Gunnebo AB's Annual General Meeting, 5 April 2017**

### **The report by the Board of Gunnebo AB (publ) on the Remuneration Committee's evaluation of remuneration to senior executives**

The Board of Directors of Gunnebo AB has established a Remuneration Committee. Since the 2014 Annual General Meeting the Committee has been comprised of the Chairman of the Board Martin Svalstedt, also the Committee Chairman, and the Board members Mikael Jönsson and Göran Bille. The Remuneration Committee's tasks include monitoring and evaluating all programs for variable remuneration to senior executives, application of the company's guidelines for remuneration to senior executives, and the company's current remuneration structures and levels.

In accordance with paragraph 10.3 of the Swedish Corporate Governance Code, the Board hereby submits the following report on the results of the evaluation.

The total remuneration to senior executives shall consist of fixed salary, variable remuneration, long-term incentive programs, pension and other benefits.

The variable remuneration in 2016 comprised annual variable salary and thereto long-term incentive programs.

The variable salary shall be dependent on the individual's achievement of predetermined, quantitative financial targets and may not exceed 50% of the fixed salary.

A long-term incentive program was launched in 2015 to further strengthen the corporate management's commitment and common interest with the shareholders. The program was decided at the 2015 AGM and is a targeted program for a maximum of 20 employed key executives, including the CEO, the Group Executive Team and other key personnel within the Group. The program is based on the participants investing in Gunnebo shares within the LTI 2015 scheme ("saving shares"). The saving shares must be retained for a three-year vesting period which runs from June 1, 2015 to June 1, 2018. Provided the saving shares are still held and the participant remains employed in the Group at the end of the vesting period, the participant is entitled to receive, free of charge, one Gunnebo share for each saving share he/she has invested in. Moreover, the CEO is entitled to receive a maximum of four additional Gunnebo shares per saving share, and the other participants are entitled to receive a maximum of three additional Gunnebo shares per saving share, provided certain performance-related goals are met. The awarding of performance shares is based on a Board-defined minimum level and upper target level relating to earnings per share during the vesting period.

In 2016, the Remuneration Committee has continuously monitored and evaluated the company's programs for variable remuneration to senior executives. The Remuneration Committee deems that these programs help to achieve the desired common interest between the senior executives and the shareholders, and that they serve to help the company retain personnel in the corporate management.

Also in 2016, the Remuneration Committee has monitored and evaluated the application of the principles for remuneration to senior executives determined by the AGM. The Remuneration Committee deems the principles to be fit for the purpose and deems that they have been followed, however with one exception relating to 2016. The deviation refers to variable salary for SVP Americas that, based on local market conditions, can receive a maximum variable salary of not more than 95% of the fixed salary. As previously agreed the

CEO is entitled to 12 months' severance pay in case of termination by the company and that any variable salary to the CEO shall be treated as pensionable income and furthermore that the CEO is entitled to retirement at the age of 63.5.

The Remuneration Committee deems that the remuneration structures and levels applied by the Gunnebo Group are compatible with market conditions, fit for purpose and well-balanced with regard to the potential for recruiting and retaining qualified personnel for the company's senior management.

Gothenburg, March 2017  
GUNNEBO AB (publ)  
The Board of Directors