

## **The Board of Director's report on the evaluation pursuant to Article 9.1 Paragraphs 2-3 of the Swedish Corporate Governance Code**

### Variable remuneration to Group Management

For 2019, Group Management was comprised of Chief Executive Officer (CEO), Directors for Finance, Purchasing, Business Development, Marketing and Sales, as well as Human Resources (totalling 6 people). From 2019-09-01 and onwards the Business Area Managers were included in the Group Management (a total of another 5 people). The total number of people in the management after the reorganization was 11 people. Variable remuneration was paid to all members of the Group Management. The amount of variable remuneration for the CEO was capped at a maximum of 100% of the annual fixed salary and between 40-100% for the Group Management. Variable remuneration was determined according to predetermined, measurable, and clearly set measurable target criteria which had been decided with the aim of promoting the company's long-term value creation.

The financial outcome for 2019 implied that variable remuneration that was to be paid to the six original members of Group Management, and to the new Business Area Managers (that received remuneration for parts of the year), amounted to a total of SEK 3,111,000. The full remuneration for the Business Area Managers will be included in the financial reporting 2020, due to the relatively short time that they were engaged in the Group Management in 2019.

The Board believes that the existing system of variable remuneration works well and that the outcome of the remuneration is reasonable and in line with the company's operational and financial performance. The system of annually revising the criteria for payment of variable remuneration enables the Board to continuously monitor and adjust the variable remuneration, and to, each year, link it to factors that promote the company's long-term value creation.

### Application of company guidelines for remuneration to senior executives as well as current remuneration structures and levels in the company

The Board has, in its evaluation of the application of the company guidelines for remuneration to senior executives, found that the current remuneration structure is consistent and well in line with the guidelines set by the General Meeting and with the overall principles that, according to the Swedish Corporate Governance Code, shall apply to the configuration of remuneration to senior executives. It is the Board's conclusion that (1) the guidelines ensure that the company can have access to competent executives who have the capacity to achieve the company goals, and that (2) the remuneration structures and levels are well balanced in relation to the costs of the company as a whole.

Västerås, Sweden, May 2020

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Board of Directors