

# Guidelines for remuneration to senior executives

*Note: Every care has been taken in the translation of this document. In the event of discrepancies, the Swedish original will supersede the English translation*

The guidelines on determination of salary and other remuneration to senior executives in the PostNord Group are based on the Swedish government's principles for remuneration and other terms of employment to senior executives in State-owned companies, adopted on February 27, 2020.

Every year, the Annual General Meeting (AGM) shall adopt guidelines on remuneration to senior executives, to apply until the end of the next AGM. The Board of Directors shall present proposals for guidelines. These guidelines shall also be applied in all subsidiaries. The guidelines do not apply to remuneration decided by resolution at the AGM.

Senior executives in the PostNord Group are the President and Chief Executive Officer, Senior Vice President and other members of the Group Leadership Team.

In the following, "remuneration" shall be understood as fixed cash salary, severance compensation, pension benefits and other benefits.

## Board of Directors' guidelines

The Board of Directors, in its entirety, is responsible for appointment of the President and the Senior Vice President and for determining their remuneration. The Board shall also ensure that the remuneration to the President and Chief Executive Officer and to other members of the Group Leadership Team falls within the scope of these guidelines. Recruitment of members of the Group Leadership Team is conducted in consultation with the Remuneration Committee via the Chairman of the Board and the President and Chief Executive Officer.

The Board has established a Remuneration Committee. The Committee's tasks include preparing the Board's decision on proposed guidelines on remuneration to senior executives. The Board shall draw up proposals for new guidelines every year and shall present such proposals to the AGM for adoption. The guidelines shall apply until new guidelines are adopted at the AGM. The Remuneration Committee shall also monitor and evaluate implementation of the guidelines on remuneration to senior executives and applicable remuneration structures and remuneration levels in the Company. The members of the Remuneration Committee are independent of the Company and the Company's management. During the Board's discussion of decisions on remuneration-related issues, the President and Chief Executive Officer and other members of the Group Leadership Team are not present to the extent they are concerned by the issues discussed.

The Board ensures that the remuneration is competitive, without being pay-setting, by having data for market salary comparison obtained for such issues. Before any decision on particular remuneration is taken, a document in writing shall be obtained showing the cost to the employer. In preparing the Board's proposals for these remuneration guidelines, salary and employment conditions for the Company's employees have been taken into account by including information on employees' total remuneration, the components of that remuneration and on the increase and rate of increase in the remuneration over time as part of the Remuneration Committee's and the Board's supporting documentation for evaluating the reasonableness of the guidelines and the restrictions that follow from them.

Any earlier agreements entered into with senior executives that conflict with these guidelines should be renegotiated.

### **Departure from the guidelines**

The Board may resolve to depart temporarily from the guidelines, in entirety or in part, should there be, in any individual case, particular reasons to do so and should a deviation be necessary in order to meet the Company's long-term interests, including its sustainability, or to ensure the Company's economic viability. As described above, the tasks of the Remuneration Committee include preparation for the Board's decisions on remuneration matters, which includes decisions on deviations from the guidelines. In such a case, the Board shall report the deviation and the reasons for such deviation.

### **Principles of remuneration**

The guidelines serve to advance the Company's business strategy, long-term interests and sustainability. The Company's strategy is described in brief in the following.

The guidelines serve to promote a sufficiently competitive level of remuneration to attract the right competence to lead the Company through the transformation that the Company faces, and to implement the more focused strategy "to win in parcels", and to ensure a "financially sustainable universal service in mail distribution". In addition, the Company's need to reduce its cost base should be taken into account, to ensure a competitive logistics company and maintain a financially sustainable mail business. For further information on the Company's business strategy, see <https://www.postnord.com/sv/om-oss/strategi>

The total remuneration for executives shall at the same time be well-balanced, competitive, capped, reasonable and fit-for-purpose, and shall be in keeping with good ethics and a healthy corporate culture. The remuneration shall not be pay-setting relative to comparable enterprises, but shall be characterized by restraint. This shall also function as a guide to total remuneration to other employees, which the President and Chief Executive Officer is required to report on annually to the Board.

Variable salary will not be paid to the senior executives. It is considered that the lack of variable pay adds to the incentive for long-term sustainable value creation.

## **Pensions**

Individual premium-based pension plans are contracted for the President & Group CEO and other senior executives of the PostNord Group, who are employed in Sweden, with contributions not to exceed 30 percent of the fixed monthly salary. The required insurance policies are contracted within the scope of this premium. The retirement age for employees in Sweden is 65 years.

In the case of senior executives employed under Norwegian labor law, the collective bargaining pension plan for the Norwegian company applies, and the pension age is 65 years.

In the case of senior executives employed in Denmark, a pension corresponding to 10 percent of the agreed monthly salary is included. The retirement age is in line with Danish legislation.

## **Other benefits**

Other benefits may include, for example, health insurance, company car and employee housing. Such benefits may amount to a total of no more than 5 percent of the fixed monthly salary.

Benefits paid for incapacity to work owing to illness shall correspond to levels applicable under collective bargaining agreements applied in the industry. Any increase in a collective bargaining health insurance plan above the salary level covered by collective bargaining agreements shall be in line with general practice in the market.

### **Period of notice, severance compensation and anti-competition clause etc.**

In new employment contracts, the period of notice where the employment is terminated by the employer shall not exceed 6 (six) months.

Where the contract is terminated by the senior executive, the period of notice shall be 6 (six) months.

Where the employment is terminated by the employer, severance compensation may be due. The severance compensation shall guarantee the senior executive security over a transitional period. This may not exceed the equivalent of 12 (twelve) monthly salary payments, excluding the period of notice. This compensation shall be paid monthly and will be made up solely of the fixed monthly salary, excluding benefits.

If the employee takes up new employment, other additional salaried work or receives income from a business activity, the salary paid during the notice period and the severance compensation will be reduced by an amount corresponding to the new income. In the case of employment being terminated by the senior employee, no severance compensation will be due. Severance compensation equivalent to no more than 12 (twelve) monthly salary payments, excluding the period of notice, shall be paid until no later than the agreed retirement age and never longer than to the age of 65 years.

The Board shall be able, in accordance with the law or contractual provisions and subject to the limitations that may follow from such provisions, to withhold, in entirety or in part, salary during the period of notice and severance compensation, if before or during the severance period improprieties or omissions are discovered that may result in a criminal offence or a liability to pay damages.

The employment contract should also include an anti-competition clause and a confidentiality clause that will continue to apply after cessation of employment.

## **Arbitration clause**

The employment contract shall include a clause to the effect that disputes arising from the contract will be settled in a general court of law.

Disputes in connection with senior executives who are employed in accordance with Danish labor law will be settled via arbitration.

## **Report**

Remuneration to senior executives shall be accounted for in the same way as in listed companies. This means that the particular rules concerning accounting for remuneration to the senior executives that apply to listed companies and public limited liability companies shall be observed. The relevant rules are laid down above all in the Swedish Companies Act (2005:551) and the Swedish Annual Accounts Act (1995:1554). In addition, the remuneration for each individual senior executive shall be accounted for separately in terms of fixed salary, benefits and severance compensation.

The Board shall report to the AGM as to whether the previously adopted guidelines have been observed and the reasons for any deviation. In addition, the Company's auditor shall prior to each AGM present a written and signed statement to the AGM as to whether the auditor considers that the guidelines applying since the previous Meeting have been followed or not. A remuneration report shall be presented to the AGM for approval and shall be kept available without charge on the Company's website for 10 (ten) years from the Meeting.

## **Hiring of a Director as a consultant by the Company**

Any assignment in which a Director or Deputy Director is hired as a consultant by the Company and thereby receives consulting fees in addition to the fee received as a Director shall be avoided. If this does nevertheless happen, the assignment must be assessed by the Board in each individual case, be clearly separable from regular Board activities, be limited in terms of time and be governed by a written agreement between the Company and the Director. In addition, in order to be approved, the consultancy assignment must not be equated with activities generally carried out by Directors and the nature of the consulting assignment must not result from the Director's normal assignment. If the service can be procured externally, the Director shall not be hired for the task.

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**Comments on the guidelines**

If the employment is terminated early, no pension costs arise other than those governed by the employment contract, that is, defined-premium contributions during the period of notice.

Collective bargaining pension plan in Norway means 4 percent of salary between 1G and 6G, 7 percent of salary between 7G and 12G, 10.5 percent of salary between 12G and 20G (1G = base amount, NOK 90,068, from 2015).

Previously agreed retirement age of 70 years for employees in Denmark no longer applies as a result of change in Danish legislation on January 1, 2016. As a result, there is no retirement age for senior executives in Denmark.