

PostNord AB (publ)

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

## **Guidelines for executive compensation**

The guidelines for determining salaries and other compensation to executives in the PostNord Group are based on "Regeringens riktlinjer för anställningsvillkor för ledande befattningshavare i företag med statligt ägande" (Guidelines for Employment Terms for Executives in State-Owned Companies) from April 20, 2009.

Each year, the Annual General Meeting is required to approve guidelines for executive compensation, applicable until the end of the next Annual General Meeting. The Board must present its proposals for guidelines. These guidelines are also to be applied in all Group subsidiaries.

"Executives in the PostNord Group" refers to the President and Group CEO and other members of Group management ("Group Executive Team").

In the following, compensation includes salaries, pensions, benefits concerning vehicles, housing or other non-monetary benefits and severance compensation. Benefits from Group companies must also be regarded as compensation.

### **Board guidelines**

The Board of Directors, in its entirety, is responsible for employing the President and Group CEO and determining this person's compensation. The Board also ensures that compensation to the President and Group CEO and other members of Group management is accommodated within the guidelines. Members of Group management are recruited in consultation with the Board Chair and the President and Group CEO.

The Board ensures that the compensation is competitive, without being market-leading, by acquiring documentation comparing salaries in the market. Before a decision on individual compensation can be made, written documentation showing the cost to the employer must be obtained.

Agreements entered into with executives previously that conflict with these guidelines should be renegotiated.

### **Compensation principles**

Total compensation for executives shall be carefully considered, competitive, subject to a salary ceiling, reasonable and appropriate, and shall promote good ethics and a good corporate culture. Compensation shall not be market-leading in relation to comparable companies, but shall be characterized by moderation. This shall also guide the total compensation paid to other employees, which the CEO must report on an annual basis to the Board.

Executives are not to receive variable salaries. According to other principles included in the government's Guidelines for Employment Terms for Executives in State-Owned Companies, variable salaries may be paid to other employees.

### Pensions

Individual premium-based pension plans are contracted for the President and Group CEO and other executives employed by the PostNord Group in Sweden, with contributions not to exceed 30 percent of fixed monthly salary. The necessary insurance policies are contracted within the scope of this contribution.

The pensionable age for employees in Sweden is 65.

For executives employed under Norwegian labor law, the Norwegian company's collectively negotiated pension scheme applies and the pensionable age is 65 years.

For executives employed in Denmark, a pension corresponding to 10% is included in the negotiated monthly salary. The pensionable age is as laid down in Danish legislation.

### Termination period, severance compensation and competition clause, etc.

In new employment contracts, the notice period should not exceed six months in cases where the employer terminates the contract. Previously signed employment contracts with a notice period of 12 months on the part of the employer will remain in force.

In cases where the employment contract is terminated by the executive, the notice period should be six months.

On termination on the part of the employer, severance compensation may be paid. This compensation must guarantee security for the executive during a transitional period. It may correspond to a maximum of 12 months' salary, exclusive of the period of notice. The compensation must be paid monthly and will consist solely of the fixed monthly salary excluding benefits. Income earned from subsequent employment or comparable business activities during the period of notice is to be deducted from the severance compensation paid. On termination on the part of the executive, no severance compensation will be paid. Severance compensation is not paid after the age of 65.

Further, the employment contract should contain provisions that make it possible to wholly or partially withhold salary during the notice period or severance compensation if, before or during the severance period, irregularities or omissions are discovered that may lead to criminal liability or liability for damages.

The employment contract should also contain a competition clause and a confidentiality clause that continue to apply after termination of employment.

#### Arbitration clause

The employment contract shall contain a clause stating that disputes arising from the contract will be resolved under the Swedish Arbitration Act (1999:416).

Disputes regarding executives employed under Danish labor law will be resolved using arbitration.

#### Reporting

Compensation to executives must be reported in a manner equivalent to that of a listed company. This means that the special rules for reporting executive compensation that apply to listed companies and public listed companies shall be followed. These rules can mainly be found in the Swedish Companies Act (2005:551) and in the Swedish Annual Accounts Act (1995:1554). Also, the compensation for each individual senior executive must specify fixed salary, benefits and severance compensation separately.

At the Annual General Meeting, the Board of Directors shall report on whether previously adopted guidelines have been followed or not, and the reasons for any deviations. Further, prior to each Annual General meeting, the Company's auditor must submit a written and signed statement to the Board regarding whether the auditor considers that the guidelines applicable since the previous Annual General

Meeting have been followed. In addition, at the Annual General Meeting, the Board Chair must verbally account for the compensation paid to executives and how this relates to the guidelines adopted by the Annual General Meeting.

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**Comments on the guidelines**

- A. If employment is terminated prematurely, no pension costs other than those regulated in the employment contract, i.e. premium-based pension plan fees, accrue during the period of notice.
- B. Payments under the collectively negotiated pension scheme in Norway are at 4% of salary between 1 and 6 BAs (base amounts), 7% of salary between 7 and 12 BAs, 10.5% of salary between 12 and 20 BAs (1 BA = base amount of NOK 90,068 for 2015).
- C. The formerly negotiated pensionable age of 70 years for employees in Denmark no longer applies as a result of amended Danish legislation entering into force on January 1, 2016. For that reason, there is no pensionable age for Danish executives.
- D. On termination on the part of the employer, the Compensation Committee now applies a period of notice of six months in accordance with the guidelines of the Swedish government. Previously, this period was 12 months. Thus, when signing new employment contracts, a period of six months' notice on the part of the employer shall apply. Existing contracts of employment with eight (applies to one person) or 12 (applies to five persons) months' notice on the part of the employer continue to be valid until further notice.