

## Guidelines for salary and other remuneration to executive management – adopted by AGM 2020

The following guidelines for remuneration and other terms of employment for the executive management of the Group were adopted by the Annual General Meeting 2020.

The guidelines shall apply to employment agreements executed after the Annual General Meeting and any modifications to existing employment agreements that are made after the Annual General Meeting. The guidelines do not apply to board fees decided upon by general meetings or such issues and transfers covered by Chapter 16 of the Companies Act.

### The guidelines' promotion of the Company 's business strategy, long-term interests and sustainability

The Company's business strategy is, in brief, as follows. Thought and market leadership in Precision Radiation Medicine. Precision means our solutions hit the target precisely, sparing healthy tissue and reducing negative side effects and complications for better patient outcomes. Radiation stands for using our core competence in radiation treatment of tumor and neurological diseases with optimized and tailored solutions. Medicine is to deliver software that help to improve cancer survival rates by being efficient and supportive, assisting clinicians worldwide in providing the highest standard of care. For further information about Elekta's business strategy see the annual report 2019/20.

In order to successfully implement the Company's business strategy and to foster the Company's long-term interests, including its sustainability, it is of fundamental importance for the Company and its shareholders that, from a short-term and long-term perspective, the remuneration guidelines attract, incentivise and create favourable conditions for retaining skilled employees and managers.

The guidelines are aimed at creating increased transparency as regards remuneration issues and, through a carefully considered remuneration structure, creating incentives for executive management to execute strategic plans and achieve the Company's financial targets. This is in order to support the Company's business strategy as well as its long-term interests, including its sustainability. To achieve this, it is important to maintain fair and internally balanced terms which, at the same time, are competitive on the market in terms of remuneration structure, scope and level.

### Remuneration and forms of remuneration

Employment terms for executive management shall include a well-balanced combination of fixed salary, variable remuneration, long-term incentive programs, pension benefits and other benefits, as well as terms governing termination, where applicable. This combination of remuneration strengthens and supports short-term and long-term targeting and target fulfilment. The total compensation shall be on market terms on the geographic market where the individual resides or works.

Applied remuneration levels shall be reviewed annually in comparison with equivalent positions on the market, to ensure that the Company is able to attract and retain skills critical for the business where so required. Median salaries on the market are determined through external benchmarking where such is available. As far as possible, remuneration shall be based on performance and thus the annual variable remuneration shall constitute a relatively large portion of the total remuneration. The various types of remuneration that may be paid out are described below.

#### Fixed salary

Fixed salary for executive management shall be individual and based on each individual's responsibilities and role in terms of individual skills and experience in the relevant position as well as regional conditions. In case of a maximum variable remuneration result, the fixed salary may amount to between 40 and 50 per cent of the total annual fixed salary and variable remuneration.

#### Variable remuneration

In addition to fixed salary, executive management are entitled to variable remuneration, referred to as an annual bonus. The variable remuneration is structured as part of the total remuneration package and shall primarily be related to results in terms of the Group's financial targets (50–100 percent of the variable remuneration). Other non-financial targets of particular interest, such as clearly defined individual targets with respect to specific work duties within the respective business area, shall also be used (0–50 percent of the variable remuneration). Variable remuneration targets shall be established annually by the Board of Directors with the aim of ensuring that they are in line with the Group's business strategy and results targets. Targets shall be structured so as to promote the Group's business strategy and long-term interests, including its sustainability, by being clearly connected to the business strategy and promoting the long-term development of the executive management. The size of the variable remuneration varies depending on position and may constitute between 30 and 70 percent of fixed annual salary at full achievement of targets.

Target fulfilment is measured, and any payments made in respect thereof take place annually or quarterly. If the financial targets for variable remuneration are exceeded, there is a possibility to pay additional remuneration in consideration of overperformance. The annual bonus entails that there is potential to receive, at most, 200 percent of the variable remuneration in case of over achievement of targets. Thus, payment of variable remuneration is capped at 200 percent of the original target for the variable remuneration and may entail, at most, that 140 percent of the fixed salary can be paid out as variable remuneration. Target formulation is structured so that no variable remuneration or bonus is received in the event a minimum performance level or threshold is not achieved. Upon conclusion of the annual measurement period, an assessment shall take place as to the extent to which targets have been fulfilled, through an overall performance assessment.

The Compensation & Sustainability Committee is responsible for the assessment with respect to variable salary for the President and CEO and other executive management. Insofar as relates to financial targets, the assessment shall be based on audited financial information published by the Group. The Company may, at any given time, alter, discontinue or cancel parts of the remuneration plan, or the entire plan. However, only in respect of future performance at the time in question. The Company may also, after payment of remuneration, subsequently correct the remuneration if an error can be identified in a final audit.

#### Share-related long-term incentive programs

The Board of Directors uses long-term incentive programs to ensure alignment between the interests of the shareholders and the interests of executive management and other key individuals in the Company. The Board of Directors shall each year assess whether a share-related long-term incentive program should be proposed to the Annual General Meeting. More information about current share programs is available in Note 7 of the annual report 2019/20 and on Elekta's website and, with respect to the proposed share program, in items 15 a) and 15 b) of the material for the annual general meeting 2020. These long-term incentive programs promote the Group's business strategy and long-term interests including its sustainability by strengthening the Group's ability to recruit and retain employees, diversifying and increasing share ownership among key individuals and ensuring a shared focus on long-term growth in value for the shareholders.

#### Special remuneration

Additional cash variable remuneration can be paid, with a delay in payment up to 36 months, to ensure long-term commitment and that key employees remain in connection with acquisitions of new companies, divestments of businesses, other transitional activity or other extraordinary work endeavors. Such delayed remuneration is conditional on continued employment until a predetermined date in order for any payment to take place, and is applied only in very special cases, and thus is not included in any ordinary remuneration system. The delayed remuneration may not exceed 50 percent of the contracted annual fixed remuneration per year and thus may amount to 150 percent of annual salary in the event of delayed payment for 36 months. The delayed remuneration shall otherwise comply with the same principles as applicable to variable remuneration in the Group. Decisions regarding special remuneration for extraordinary endeavors shall be taken by the Board of Directors.

#### Pensions

When new pension agreements are entered into, executive management who are entitled to pension shall only have defined contribution pension agreements. With respect to executive management who are Swedish citizens, retirement normally takes place at the age of 65 and, with respect to others, in accordance with each country's pension regulations. The general rule is that pension provisions are based only on fixed salary and take place at market levels in each country; however, pension provisions shall not exceed 40 percent of fixed salary. Certain individual adjustments may occur in line with local market practice or mandatory collective agreement provisions.

#### Other benefits

Benefits such as company car, compensation for preventive care insurance, healthcare insurance and medical insurance, etc. shall constitute a smaller element of the total compensation package and be in accordance with what is customary on each geographic market. Premiums and other costs for such benefits may not, in total, exceed 20 percent of fixed salary. For executive management stationed in a country other than their country of domicile, additional compensation and other benefits may be paid to a reasonable extent in light of the particular circumstances associated with being stationed in a foreign country.

This comprises, for example, flight costs, housing, term fees, journeys home, assistance with tax returns and tax equalisation. With respect to employment conditions governed by regulations other than Swedish ones, insofar as relates to other benefits, appropriate adjustments shall take place to comply with such mandatory regulations or established local practice, whereupon the overarching purpose of these guidelines shall be satisfied as far as possible.

#### Remuneration payable to Directors

Directors elected by the general meeting shall, in specific cases, be entitled to receive fees and other remuneration for work performed on behalf of the Company, alongside boardwork. Fees on market terms, which must be approved by other Directors, shall be payable in respect of such services.

## **Termination terms and severance compensation**

Termination periods within the Company shall comply with the statutes and agreements applicable on each geographic market. Termination periods with respect to executive management shall be between 6 and 12 months and, in specific cases, executive management are entitled to severance compensation corresponding to 6–12 months' fixed salary. In case of certain radical changes in the ownership structure, the President and CEO is entitled to receive additional severance compensation corresponding to 18 months' fixed salary.

## **Preparation and decision-making procedure**

The Company's Compensation & Sustainability Committee shall, each year, prepare remuneration issues and submit to the Board of Directors recommendations for principles for structuring the Group's compensation system and executive management remuneration. The recommendations shall include proposals for structuring bonus systems, the breakdown between fixed and variable remuneration as well as the size of any salary increases. The Compensation & Sustainability Committee shall also propose criteria for assessment of performance by executive management. Decisions regarding remuneration are adopted by the Board of Directors as a whole. The Board of Directors shall prepare proposals for new guidelines at least every fourth year and shall present the proposals for a decision by the Annual General Meeting.

The Compensation & Sustainability Committee shall comprise of at least three independent directors, one of whom shall serve as chairman. The President and CEO shall attend the meetings of the committee. The elected chairman of the Compensation & Sustainability Committee shall convene its meetings. The members of the Compensation & Sustainability Committee are independent in relation to the Company and company management. The President and CEO, and other members of Group management, may not be present at meetings at which remuneration issues are addressed and decided upon, insofar as they are affected by the issues. In conjunction with all decisions, it is ensured that conflicts of interest are avoided and that any potential conflicts of interest are addressed in accordance with the Company's corporate governance framework, comprising of a code of conduct, policies and guidelines.

## **Derogation from the guidelines**

The Board of Directors may decide to derogate temporarily from the guidelines, wholly or in part, where there are particular reasons for doing so in an individual case and provided such derogation is necessary to satisfy the Company's longterm interests, including its sustainability, or to ensure the Company's financial viability. As stated above, the duties of the Compensation & Sustainability Committee include preparing decisions by the Board of Directors on remuneration issues, which includes decisions regarding derogations from the guidelines.

## **Description of significant changes to the guidelines**

The content of the guidelines has been reviewed and adapted to the legal requirements imposed by Directive (EU) 2017/828 of the European Parliament and of the Council amending Directive 2007/36/EC as regards encouragement of the longterm shareholder engagement.

## **Previously decided remuneration that is not yet due for payment**

The Company has three ongoing share-related programs that have not yet fallen due for payment. These are programs decided upon in 2017, 2018 and 2019. More information about current share programs is available in note 7 of the annual report 2019/20 and on Elekta's website.