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## **Proposal by the Board of Directors of Ferronordic Machines AB for the annual general meeting 2014 concerning policy on remuneration to senior executives**

The Board proposes that the annual general meeting 2014 resolves to adopt the following policy on remuneration for senior executives.

These guidelines concern remuneration and other terms of employment for the Ferronordic Machines executive management team. The members of the executive management team, including the President and any possible Deputy President, are hereafter referred to as the "Executives". The guidelines apply to employment agreements made after the approval of these guidelines by the meeting and to amendments to existing employment agreements made thereafter.

### *Basic principles*

Remuneration to Executives shall be based on market terms in the markets where Ferronordic Machines operates and the environment in which the individual Executive is working. In addition, remuneration shall be competitive in order to enable Ferronordic Machines to attract and retain competent executives.

### *Fixed salaries*

Fixed salaries are established individually based on the criteria specified above, as well as the individual Executive's areas of responsibility and performance.

### *Variable salaries*

Executives may receive variable salaries in addition to fixed salaries. Variable salaries shall be paid upon fulfilment of predetermined and measurable performance criteria, primarily based on the development of the group as a whole or the development of the part of the group for which the individual in question is responsible. The variable salary may, as regards the President, amount to not more than 100% of the fixed salary and, as regards other Executives, not more than 50% of the fixed salary. An exception may be made regarding Erik Eberhardson, whose variable salary may to not more than 150% of the fixed salary (according to previous agreement in connection with reduction of fixed salary).

The extraordinary general meeting on 24 May 2013 resolved to adopt a share based incentive program for selected Executives in the group. The Board has therefore decided not to propose any share based incentive program for the annual general meeting 2014.

### *Non-monetary and other benefits*

The Executives are entitled to customary non-monetary benefits such as company cars and company health insurance. In addition to these benefits company housing and other benefits can be offered on an individual basis, such as housing allowances and school/kindergarten allowances for expatriate Executives.

### *Pension benefits*

In addition to those pension benefits that Executives are entitled to according to law, Executives may be offered pension benefits that are competitive in the country where the individual in question is or has been a resident or to which the individual has a relevant connection. Pension plans shall be defined contribution plans without guaranteed level of pension.

### *Severance pay*

Severance pay shall not exceed 12 months.

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*The Board's preparation and decision-making on issues concerning remuneration and other terms of employment*

The Remuneration Committee is responsible for:

- 1) preparing the Board's decisions on issues concerning principles of remuneration, remuneration and other terms of employment for the Executives,
- 2) monitoring and evaluating programs for variable remuneration, both ongoing and those who end during the year,
- 3) monitoring and evaluating programs the application of these guidelines, and
- 4) monitoring and evaluating current remuneration structures and levels in the group.

The Remuneration Committee prepares and the Board resolves on:

- 1) the remuneration and terms of employment of the President and the Deputy President,
- 2) the principles for remuneration (including pension and severance pay) for the other Executives.

The Remuneration Committee is further responsible for reviewing and recommending to the Board share and share-related incentive programs to be decided by the annual general meeting.

*Authority to decide on deviations from these guidelines*

The Board may deviate from these guidelines if there are specific reasons to do so in an individual case.

*Information on earlier decisions on remuneration that has not become due for payment at the time of the annual general meeting's consideration of these guidelines*

Decisions on remuneration to Executives that will not have become due at the time of the annual general meeting 2014 fall within the frames of these guidelines.

Stockholm in April 2014

The Board of Directors of Ferronordic Machines AB (publ)