

## Item 16

### The Board's proposal for guidelines for remuneration to senior executives

The Board proposes that the Annual General Meeting approve the following principles for remuneration and other terms of employment for senior executives.

#### **Salary and remuneration policy for senior executives 2008/09**

This policy regulates salaries and other remuneration to Group management, including the President and CEO, referred to below as "senior executives."

#### **Remuneration Committee**

Each fiscal year, Board members appoint a Remuneration Committee comprising members of the Board of Directors. The responsibility of the committee is to draft proposals for salaries and other remuneration for the President and CEO and to express an opinion on proposals concerning salaries and other remuneration to other senior executives.

#### **Basic principles**

Remuneration to senior executives within Hemtex is based on principles of performance, competitiveness and reason. To a varying degree, different remuneration components are suitable to reflect these principles. Accordingly, a combination of several components is used to reflect these remuneration principles in a balanced manner.

The total remuneration to senior executives consists of a basic salary, variable components in the form of annual variable remuneration, a pension and other benefits. Combined, these components comprise an integrated remuneration package.

For each fiscal year, details of the total remuneration to senior executives is described in the applicable annual report, including long-term variable remuneration decided upon at an earlier date, which has not yet fallen due for payment.

#### **The relationship between basic and variable salary and the connection between performance and remuneration.**

Basic salary is established based on the principle that it should be competitive. The specific level depends on the scope and complexity of the position and the annual performance of the senior executive.

Performance is specifically reflected in the variable components, both in terms of the annual and the long-term variable salary component. Although it can vary over time due to trends in the market for remuneration, the target level for the annual salary component for senior executives is currently 40% of the basic salary. The long-term salary component is structured

so that it comprises both warrants and employee stock options. For employee stock options, it is necessary to achieve a specific target level for a certain key figure in order to achieve a result from this salary component. The key figure currently used is "Earnings per share." The result for employee stock options is restricted by imposing a "ceiling," that is, a maximum limit imposed on the result.

The relationship between basic and variable salary shall reflect the Board's assessment of a reasonable balance between the basic and variable remuneration components and prevailing practices in the market regarding senior managers.

### **Basic features of variable remuneration**

The annual variable salary is cash-based and related to the direct operational goals and budgeted consolidated earnings, before appropriations and taxes. This target has been approved by the Board.

Share-based, long-term variable remuneration plans are presented at the Annual General Meeting for approval. The result of the plans depend on three different variables: the individual's investment in shares, a long-term target for earnings per share over the duration that applies for the program in question and the trend in the share price.

### **Pension**

Pension benefits shall be competitive in the country in question. A supplementary pension premium is paid to those senior executives who have negotiated pension benefits in their employment agreements in addition to ITP. This premium amounts to a certain percentage derived from the basic monthly salary, including bonuses for the President and CEO, and a certain percentage based on the basic monthly salary for other senior executives who have this benefit in their agreement.

The pension age is usually 65 years old, but may vary in individual cases.

### **Other benefits**

The basic rule is that other benefits, such as a company car and medical plans, shall be competitive in the local market.

**Borås, June 2008**  
**Board of Directors**