

## THE BOARD OF DIRECTORS' PROPOSAL REGARDING GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES (ITEM 17)

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For the President & CEO and other senior executives of Sanitec Group (the "Group Management"), the principles for remuneration are reported below. The Board of Directors proposes that the corresponding principles should be approved by the annual general meeting 2014 for the period up to and including the annual general meeting 2015. The principles set forth below shall apply to remuneration and other employment conditions of the Group Management. Remuneration to the Group Management is determined by the Board of Directors based on proposals from the Board of Directors' Remuneration Committee.

### *Principles*

The overall principles for remuneration to the Group Management shall be based on the position held, individual performance, performance of the Group and remuneration shall be on a competitive basis in the country of employment. The overall remuneration package for Group Management comprises base salary, variable salary based on short-term annual performance targets, long-term incentives, pension and other benefits. In addition, there are conditions on notice of termination and severance pay.

### *Base salary*

Base salary shall comprise the basis for total remuneration. The salary shall be related to the relevant market and shall reflect the degree of responsibility involved in the position. The salary levels shall be reviewed regularly, normally annually, in order to ensure continued competitiveness and relation to the individual performance

### *Variable salary related to annual performance targets*

Members of the Group Management shall be entitled to variable salary based on annual performance targets in addition to the base salary. These short-term performance targets shall be based on the financial result for the Group and/or for the area for which the member of the Group Management is responsible. Clearly defined objectives for first target level and second target level of performance shall be stated in the beginning of each year and reflect the plans approved by the Board of Directors. The variable salary shall be dependent on the position and may in respect of the President & CEO amount to a maximum of 75% of the base salary and in respect of other senior executives variable salary may be paid in the interval 30 - 50% of the base salary, which also is the maximum total variable short-term remuneration.

### *Long-term incentive programs*

The Board of Directors may annually evaluate if a long-term incentive program should be proposed to the annual general meeting. Such programs are to be designed to ensure a long-term commitment to the company's development, promote own shareholdings in the company, implemented on market terms and have a term of no less than three years.

### *Pensions and insurance*

Pension and disability benefits shall be designed to reflect regulations and practice in the country of employment and the value of the benefits shall match normally accepted levels in the country. If possible, pension plans shall be defined contribution plans in accordance with the Group pension policy.

### *Other benefits*

Other benefits can be provided in accordance with normal practice in the country where the member of Group Management is employed, such as company car benefit, health insurance or similar benefits. However, these benefits shall not constitute a significant part of the total remuneration and shall aim to facilitate the senior executive's duties and correspond to what is considered reasonable in relation to market practice in the country of employment.

### *Notice of termination and severance pay*

Members of Group Management have 6 months' notice period when notice is given on the initiative of the employee. If the notice is given by the Company 6 months' notice is valid with additional one year base salary as severance payment. Group Management shall be obliged not to compete with the Company during the notice period. Local employment laws and regulations in force on the labor market may influence the terms and conditions for notice given by the company. Such deviations should be reported to the Board of Directors and in the annual report.

### *Authority for the Board of Directors to deviate from the principles*

Under special circumstances, the Board of Directors may deviate from these guidelines. In case of such deviation, the next annual general meeting shall be informed of the reasons. The Board of Directors may also deviate from these guidelines should it be required as a result of previous agreements.

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April 2014

**Sanitec Corporation**

*The Board of Directors*