

Proposed guidelines for executive remuneration – Arjo AB (publ)

The Board of Arjo AB (publ) proposes that the 2024 AGM resolve on guidelines for remuneration to senior executives:

1. Scope of the guidelines, etc.

These guidelines refer to remuneration and other employment conditions for the individuals who are members of the Arjo Management Team during the validity of the guidelines, in the following referred to as “senior executives.” The guidelines are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the 2024 AGM. These guidelines do not apply to any remuneration resolved or approved by the general meeting.

2. Promotion of Arjo’s business strategy, long-term interests and sustainability, etc.

A prerequisite for the successful implementation of the company’s business strategy and safeguarding of its long-term interests, including its sustainability, is that the company is able to recruit and retain qualified personnel. The basic principle is that remuneration and other terms and conditions of employment for senior executives shall be based on market conditions and be competitive in all markets where Arjo operates, to ensure that competent and skillful employees can be attracted, motivated and retained. Individual levels of remuneration shall be based on experience, competence, responsibility and performance and be market-conforming in the country in which the senior executive is employed.

3. Principles for various types of remuneration

The total remuneration to senior executives shall be on market terms and comprise base salary (fixed cash salary), variable remuneration, pension benefits and other benefits. Additionally, the general meeting may – irrespective of these guidelines – resolve on, among other things, share-related or share price-related remuneration.

Fixed remuneration

The fixed remuneration for each position is determined based on a global position evaluation system and external market payroll data. The fixed remuneration, meaning the base salary, shall be based on the individual executive’s area of responsibility, authority, competence and performance.

Variable remuneration

The allocation of base salary and variable remuneration shall be proportional to the responsibility and authority of the executive. The variable remuneration shall always be limited in advance to a maximum amount and be connected to predetermined and measurable criteria, designed with the purpose of promoting the company’s business strategy and long-term value creation.

The company’s sustainability work is incorporated in the ongoing operations of the company. If the company’s key guidelines for sustainability work or ethical guidelines are not followed, the company may refrain from paying variable remuneration or reclaim the paid remuneration. The annual variable remuneration is constructed in such a way that it supports Arjo’s strategy to develop products and solutions on a long-term basis which contribute to improve care outcomes, create a more efficient care process, enable a better work environment for healthcare professionals and increase the quality of life for patients. If the above activities are conducted in an efficient and sustainable way, it will result in improved financial results and increased capital efficiency, which form the basis for the variable remuneration.

Annual variable remuneration

For senior executives, the annual variable remuneration (annual bonus) shall be capped at 50% of the fixed annual base salary, except in cases where the nature and competition situation of the position, as well as the country of employment, so require. In such cases the annual variable remuneration shall be capped at 80% of the fixed annual base salary. The variable remuneration shall be based on the objectives set by the Board of Directors. The objectives are related to earnings, volume growth, working capital, cash flow and sustainability. All members of the group management have the same goals for annual variable remuneration with the purpose of promoting the shareholders' interests, the company's core values, and jointly strive to achieve the company's business strategy, long-term interests and a sustainable development of the company.

Variable long-term cash bonus

In addition to base salary and the annual variable remuneration above, senior executives can obtain a variable long-term bonus, awarding clear target based and measurable achievements, and which is conditional upon continued employment at the end of the performance period (with certain customary exceptions). The criteria for payment of the variable long-term cash bonus are to be designed so that they promote Arjo's business strategy and long-term interests, including its sustainability, by having a clear link to the business strategy. The criteria for the variable long-term cash bonus are related to earnings per share, adjusted for potential acquisitions, divestments, restructuring costs and/or other material non-recurring costs. By connecting the targets to shareholder interests, mutual interests are created which further aims to promote Arjo's business strategy and long-term interests. The performance period for the variable long-term cash bonus shall be at least three fiscal years and shall be capped at 100% of one year's base salary for each three-year period, i.e. one third of the annual base salary per year. Senior executives in the Management Team are to reinvest at least 50% of the payment (net after tax) from each program in Arjo shares, until an amount corresponding to one annual salary (gross) has been reinvested in shares in the company. The senior executives shall keep these shares for at least three years from the time of investment.

Determination of the outcome for variable remuneration, etc.

When the performance period of the criteria for awarding variable cash remuneration has been concluded, the Board of Directors shall, based on a proposal from the Remuneration Committee, determine whether the criteria have been achieved. When determining the achievement of the criteria, the Board of Directors, may based on a proposal from the Remuneration Committee, grant exceptions from the set criteria on the basis of what is mentioned in item 5 below. For the achievement of financial objectives, the evaluation shall be based on the latest financial information made public by the company, taking into account any adjustments that the Board of Directors has determined in advance when implementing the program. Variable cash remuneration can be paid after the completion of a performance period.

Arjo actively works with ensuring that the company is managed in the most sustainable, responsible and efficient way possible and that applicable legislation and other regulations are complied with. Arjo also applies internal rules which include a code of conduct and various steering documents on group level (policies, instructions and guidelines) in several areas. Variable remuneration shall not be awarded, or variable remuneration may be reclaimed, if the senior executive has acted contrary to these rules, principles or the company's code of conduct. In case earnings before taxes are negative, variable remuneration shall not be awarded. The Board of Directors shall have the possibility, pursuant to applicable law or contractual provisions, to in full or partially reclaim variable remuneration paid on incorrect grounds (clawback).

Other variable remuneration

Further variable cash remuneration may be awarded in extraordinary circumstances, provided that such extraordinary arrangements are exclusively made for the purpose of recruiting or retaining executives. Such remuneration may not exceed an amount corresponding to 50% of the base salary and may not be paid more than once each year and per individual. Any resolution on such remuneration shall be made by the Board of Directors based on a proposal from the Remuneration Committee.

Pension

For the CEO, pension benefits shall be based on defined contribution. The pension premiums for defined contributions shall amount to not more than 35% of the fixed base salary. Variable cash remuneration shall not qualify for pension benefits.

Other senior executives pension benefits shall be based on defined contributions and the pension benefits shall be no more than 30% of fixed base salary. Senior executives employed in Sweden shall have a pension defined by ITP1 or ITP2, whereas with a cost that is within the 30% of fixed base salary. Variable cash remuneration shall only qualify for pension benefits to the extent required by mandatory collective agreement provisions as applicable to the executive.

For employments governed by rules other than Swedish, pension benefits and other benefits may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

Other benefits

Other benefits such as company car, medical health insurance or occupational health service may be provided to the extent this is considered customary for senior executives holding equivalent positions on the labour market where the employee operates. The total value of these benefits shall amount to not more than 10% of the fixed base salary.

Terms of notice

Senior executives shall be employed until further notice. Upon termination of the CEO's employment, if such termination is determined by the company, the notice period shall be twelve (12) months. For other senior executives, the notice period may not exceed twelve (12) months if notice of termination is made by the company. The notice period may not exceed six (6) months, without any right to severance pay, when termination is made by the executive.

Senior executives may be compensated for a non-compete undertaking after the termination of the employment, however, only to the extent severance pay is not paid during the same period of time. The purpose of such remuneration shall be to compensate the senior executive for the difference between the monthly base salary at the time of termination of the employment, and the (lower) monthly income which is obtained, or could be obtained, by a new employment agreement, assignment or own business. Remuneration shall be paid during the time the noncompete undertaking applies, however for not more than 12 months following termination of employment. Compensation for non-compete undertaking may not exceed 60% of the employee's fixed base compensation, deducted with other income the employee may receive.

Salary and employment conditions for employees

In the preparation of the Board's proposal for these remuneration guidelines, salary and employment conditions for employees of the company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the Remuneration Committee's and the Board's basis for decision. These inputs have been used when evaluating whether the guidelines and the limitations set out herein are reasonable. The development of the gap between the

remuneration to executives and remuneration to other employees is disclosed in the remuneration report.

4. The decision-making process to determine, review and implement the guidelines

The Board of Directors has previously established a Remuneration Committee. The Committee's tasks include preparing the Board of Directors' decision to propose guidelines for executive remuneration. These guidelines are subject to review on annual basis by the Board of Directors and submitted for resolution by the annual general meeting when changes are proposed, or at least every four years. The Remuneration Committee shall also monitor and evaluate programs for variable remuneration for the executive management, the application of the guidelines for executive remuneration as well as the current remuneration structures and compensation levels in the company. The CEO and other members of the executive management do not participate in the Board of Directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

5. Derogation from the guidelines

The Board may resolve to temporarily derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the company's long-term interests, including its sustainability, or to ensure the company's financial viability. As set out above, the Remuneration Committee's tasks include preparing the Board's resolutions in remuneration-related matters. This includes any resolutions to derogate from the guidelines.

Malmö in March 2024

The Board of Directors of Arjo AB (publ)