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## **THE BOARD'S PROPOSAL FOR RESOLUTION ON APPROVAL OF GUIDELINES FOR SALARIES AND OTHER REMUNERATION**

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The board proposes that the general meeting adopts the following guidelines for the establishment of salaries and other compensation to directors, the chief executive officer ("CEO") and other senior executives. The group of senior executives encompassed by these guidelines comprises the CEO and other members of the group executive management who report directly to the CEO and have strategic accountability for business unit operations and governance matters directed by the board. These guidelines will be valid for agreements entered into after the general meeting's resolution and for changes made to existing agreements thereafter. These guidelines do not apply to any director fees decided or approved by the general meeting or such issues and transfers as are covered by Chapter 16 in the Swedish Companies Act.

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

In short, the company's business strategy is the following.

Concentric is one of the world's leading pump manufacturers. The company seeks to deliver sustainable growth for every application in the markets it serves. The company aims to improve fuel economy, reduce emissions and improve engine control through our technical solutions and precision engineering.

The company creates value for its customers through:

- Developing world class technology with innovative solutions that meet the demands of our customers and end markets;
- Selling locally to the company's global customers by capitalising on our global infrastructure and teams; and
- Embedding business excellence in all that the company does.

The company's people is the most valuable asset and the Company aims to leverage and nurture the unique skills of the teams across the globe through a strong and inclusive corporate culture.

The company aims to deliver strong and sustainable shareholder returns and target growth both organically and through acquisitions which deliver complementary technologies.

For more information regarding the company's business strategy, please see [www.concentricinvestors.com](http://www.concentricinvestors.com).

It is of fundamental importance to the company and its shareholders that these guidelines, in both a short and long term perspective, enable the company to attract and retain senior executives and other employees with excellent competence. The purpose of these guidelines is to increase transparency in remuneration issues and through relevant remuneration structures create incentives for senior executives, to execute strategic plans and deliver effective operational results to support the company's business strategy and long-term interests, including its sustainability. To obtain this it is important to

sustain fair and internally balanced terms that are at the same time competitive on the market with respect to structure, scope and compensation levels. These guidelines enable the company, regardless of geographical market, to offer the senior executives a competitive total compensation.

**Remuneration and remuneration forms**

The terms of employment for senior executives should consist of a balanced combination of fixed remuneration, annual bonus, pension and other benefits and terms for dismissal/severance payment. Furthermore, the board may prepare and the general meeting resolve on, share and share-price related incentive programmes. Such a combination of compensation fosters and supports well-functioning management and achievement of objectives in both a short and long-term perspective.

The remuneration should be based on performance and be competitive.

The various types of remuneration that may be paid out are described below. As a share of the total compensation the following guidance shall apply:

Fixed remuneration	50%
Annual bonus	25%
LTI	25%

The total compensation of the senior executives is evaluated against relevant (geographical and industry) market data to maintain fair and balanced terms which are at the same time competitive within the market.

**Fixed remuneration**

The fixed remuneration shall be individually determined and shall be based on each individual's responsibility and role as well as the individual's competence and experience in the relevant position.

**Annual bonus**

Senior executives have an annual bonus that is payable after each year end. The annual bonus is structured as a variable part of the total compensation. Bonus objectives shall primarily be based on the outcomes of financial objectives for the entire company as well as clearly defined individual objectives with respect to specific assignments. The latter is to ensure that the senior executive also focuses on non-financial objectives of specific interest. The financial and non-financial objectives shall be designed so as to contribute to the company's business strategy, long-term interests, including its sustainability.

The financial objectives for the company shall be established by the board annually in order to ensure that they are in line with the company's business strategy and profit targets. On behalf of the board, the compensation committee establishes the financial objectives for individual units proposed by the CEO. The compensation committee shall make its annual evaluation based on the latest financial information made public by the company.

The individual objectives for senior executives are set up to a maximum of 4 which account for between 15 and 30 per cent of the total annual bonus award. Individual objectives will focus on strategic targets related to people, revenue growth in all economies and accelerating technology.

The individual objectives for the CEO are directly aligned to strategic growth and development of the business and are agreed by the compensation committee. In turn, the individual objectives for the senior executives have the same focus and alignment to ensure flow-down through each business and function. The individual objectives are proposed by the senior executives in agreement with the CEO, with final approval from the compensation committee. At the end of the bonus period, each senior

executive will provide an evidence-based assessment of their performance against individual objectives for agreement and approval by the CEO. The CEO's assessment of performance will be agreed and approved by the compensation committee.

The part of the total compensation consisting of the annual bonus varies depending on position and may be up to a maximum of 50 per cent of the fixed remuneration at full objectives achievement. The bonus objectives are constructed so that no bonus will be paid if a certain minimum performance level is not achieved. All bonus schemes within the organisation are discretionary and payable only after approval by the compensation committee unless payment is guaranteed by an existing legal agreement or contract.

The board of directors, under exceptional circumstances, may limit or cancel payments of variable remuneration provided that such actions are deemed reasonable (malus). The board of directors shall also have the possibility, under local law or contractual provisions and subject to the restrictions thereof, to in whole or in part reclaim variable remuneration paid on incorrect grounds (clawback).

### **Remuneration payable to directors**

In certain cases directors elected by the general meeting should be able to receive fees and other remuneration for work carried out on the company's behalf, alongside their board work. Fees at market rates, to be approved by the Board, may be payable for such services.

### **Pension**

When entering into new pension agreements with senior executives who are entitled to pension, the pension shall be based on defined contribution plans. Senior executives retire in accordance with local regulations on pension.

As a main principle, pension contributions are based solely on fixed remuneration and the pension scheme(s) in operation will be appropriate to comply with governing local legislation. Senior executives in the UK are invited to participate in a defined contribution plan which sets 12 per cent employer contribution rate. Senior executives in the USA participate in a 401(k) pension scheme. The company ensures adherence to the scheme rules of each plan.

For employments governed by rules other than Swedish, pension 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, compensation for healthcare and health and medical insurance shall form a minor part of the total compensation and shall correspond to what may be deemed market practice on each relevant market.

For employments governed by other law than Swedish, 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.

### **Special remuneration**

Further variable remuneration may be awarded in extraordinary circumstances, provided that such extraordinary arrangements are limited in time and do not exceed 36 months, and may only be made on an individual basis, either for the purpose of recruiting or retaining executives, or to induce individuals to move to new places of service or accept new positions or as remuneration for extraordinary performance beyond the individual's ordinary tasks. Further, the total compensation must not exceed an amount equivalent to two times the remuneration the individual would have received in the absence

of an agreement on special remunerations. Any resolution on such remuneration shall be made by the Board based on a proposal from the compensation committee.

### **Long-Term Incentive Programme**

In order to foster a long-term perspective in the decision-making and to ensure long-term achievement of objectives, the board may propose the general meeting to resolve on long-term incentive programmes.

The board uses long-term incentives in order to ensure that senior executives within the company have a long-term interest in a stable value increase of the Concentric share, which support the company's business strategy, including its sustainability. By implementing an incentive programme that is connected to the company's profits and at the same time its increase in value, the long-term growth of the company is rewarded and fostered. Further, long-term incentive programmes also aim to make the company a more attractive employer, which contributes to the company's ability to retain key employees within the group as well as to recruit new key employees.

As all such long-term incentive programmes are proposed by the board and voted at a general meeting in the company, these remuneration guidelines do not apply to such long-term incentive programmes.

For more information about the company's long-term incentive programmes, including the criteria that outcomes are based on, refer to [www.concentricinvestors.com](http://www.concentricinvestors.com). Target fulfilment is reported in the company's annual reports and is also available at the company's website.

The board nominates participants for long-term incentive programmes and the board will evaluate whether or not long-term incentive programmes will be proposed at future general meetings.

### **Terms for dismissal etc.**

Terms for dismissal and severance pay shall correspond to what may be deemed market practice on each relevant market. The CEO has a notice period of 12 months. Other senior executives have a notice period up to 6 months. In addition hereto, agreement may be made with senior executives on severance pay upon termination of employment by the company, corresponding to a maximum of 12 months' fixed remuneration.

### **Remuneration and employment conditions for other employees**

In the preparation of the boards' proposal for these guidelines, remuneration 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 compensation committee's and the board's basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable. The development of the gap between the remuneration to senior executives and remuneration to other employees will be disclosed annually in the company's remuneration report.

### **The decision-making process to determine, review and implement the guidelines**

The board and its compensation committee resolve on the structures of remuneration systems, as well as levels and forms of remuneration to senior executives. The board shall prepare a proposal for new guidelines at least every fourth year and submit it to the general meeting. The guidelines shall be in force until new guidelines are adopted by the general meeting. The compensation committee shall monitor and evaluate programmes for variable remuneration for the executive management, the application of the guidelines as well as the current remuneration structures and compensation levels in the company.

The members of the compensation committee are independent of the company and its executive management. The CEO and other members of the executive management do not participate in the board's processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters. Conflicts of interest are counteracted in all decisions and any potential conflicts of interest are handled in accordance with the company's framework for governance, consisting out of a code of conduct, policies and guidelines.

### **Derogation from the guidelines**

The board may temporarily resolve to 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 compensation committee's tasks include preparing the board's resolutions in remuneration-related matters. This includes any resolutions to derogate from the guidelines.

### **Description of material changes to the guidelines and how the views of shareholders' have been taken into consideration**

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 long-term shareholder engagement.

### **Remunerations previously decided but not yet due**

At the time of the annual general meeting on 18 April 2023, Concentric has no unsettled obligations of remuneration, except ongoing obligations to senior executives in accordance with the principles of remuneration described in the annual report.

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Stockholm in March 2023  
**Concentric AB (publ)**  
The board of directors