

## **The Board's proposed guidelines for remuneration to senior executives**

The Vattenfall AB Annual General Meeting adopted, on 29 April 2024, the following Board proposal for guidelines.

These guidelines cover the President and other members of the Group management. They also cover board members, to the extent their remuneration is not decided by the Annual General Meeting. The guidelines are designed in accordance with the Swedish Government's principles for remuneration and other terms of employment for senior executives of state-owned companies, decided on 27 February 2020 ([www.regeringen.se](http://www.regeringen.se)), with a deviation as to how the principles are applied in Vattenfall's subsidiaries (see additional information under Explanation for deviations from the government's principles). The guidelines shall apply to remuneration agreed upon, and changes made to already agreed remuneration, after the guidelines have been adopted by the 2024 Annual General Meeting.

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

Vattenfall has defined a strategy with the purpose to enable the fossil freedom that drives society forward. The business strategy is further described on the web page <https://group.vattenfall.com/who-we-are/about-us/our-goals-and-strategy>.

A prerequisite for the successful implementation of Vattenfall's business strategy and safeguarding of its long-term interests, including its sustainability, is that Vattenfall is able to recruit and retain qualified personnel. To this end, it is necessary that Vattenfall offers competitive remuneration. These guidelines enable Vattenfall to offer the senior executives a competitive total remuneration.

### *Types of remuneration, etc*

The remuneration has to be competitive, capped, appropriate and not market-leading in relation to comparable companies, and may consist of the following components: Fixed cash salary, severance pay, pension benefits and other benefits. Variable remuneration must not be paid to senior executives.

Premiums for retirement and survivors' pension benefits shall be defined contribution solutions that do not exceed 30 per cent of fixed annual cash salary, unless benefits are provided through a group pension plan applied to an enterprise. In that case, the contributions are determined by the terms and conditions of the pension plan. Any expansion of a group pension plan above the pay level covered by the plan has to be on a defined contribution basis where the maximum contribution is 30 per cent of the part of salary above the cap. The minimum retirement age must not be under 65 years.

If a salary swap scheme is offered, the solution has to be cost-neutral.

Other benefits may include, among others, company cars. Compensation in connection with work incapacity due to illness shall follow the terms and conditions for sick pay and disability pension set out in applicable collective agreements. Any expansion of group disability insurance above the pay level covered by collective agreement has to correspond to market practice.

As regards employment relationships governed by non-Swedish legislation, the appropriate adjustments may be made concerning pension benefits and other benefits so as to follow mandatory rules or established local practice; in doing so, the overall purpose of these

guidelines has to be satisfied as far as possible.

It shall be avoided that a board member or deputy board member is engaged as a consultant in the company and thus receives consultancy fees in addition to the director's fee. If this is the case, the assignment shall be examined by the Board of Directors on a case-by-case basis, be clearly separate from the ordinary board assignment, limited in time and regulated by written agreement between the company and the member. The remuneration for such assignments shall be consistent with these guidelines.

#### *Termination of employment*

If the company gives notice of termination, the period of notice must not exceed six months and severance pay must be limited to at most twelve months' salary. Severance pay is to be paid monthly and consist only of the fixed monthly salary with no pension benefits or other benefits added. In case of new employment or some other additional paid assignment or income from business activity, remuneration from the terminating company shall be reduced by an amount equivalent to the new income during the period covered by salary for notice of termination and severance pay. No severance pay is paid if the employee gives notice of termination. Severance pay is paid until the agreed age of retirement at the latest and is never paid after the age of 65 years.

Additionally, remuneration may be paid for non-compete undertakings. Such remuneration shall compensate for loss of income and shall only be paid in so far as the previously employed executive is not entitled to severance pay. The remuneration shall amount to not more than 60 per cent of the monthly income at the time of termination of employment and be paid during the time the non-compete undertaking applies, however not for more than 12 months following termination of employment.

#### *Salary and employment conditions for employees*

Remuneration to senior executives shall not be market-leading in relation to comparable companies but should be moderate in character. 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 of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

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

The Board has established a Remuneration Committee. The members of the Remuneration Committee are independent of the company and its executive management. The Committee's tasks include preparing the Board's decision to propose guidelines for remuneration to senior executives. The Board shall annually prepare a proposal for guidelines and annually submit it to the general meeting for decision. The Remuneration Committee shall also follow and assess the application of the guidelines for remuneration to senior executives as well as the current remuneration structures and levels of remuneration in Vattenfall. The President 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.

The Board certifies that the remuneration in question is in compliance with the guidelines set by the general meeting in such way that before a decision is made on remuneration and other terms of employment for a senior executive, written documentation shall be available that shows the company's total cost. The proposal for decision shall be drafted by the

Board's Remuneration Committee and thereafter be decided by the Board. The company's auditors shall perform a review to ensure that the set remuneration levels and other terms of employment have not been exceeded and, in accordance with the Swedish Companies Act, shall once a year – not later than three weeks before the Annual General Meeting – issue a written statement as to whether the adopted guidelines have been adhered to.

#### *Deviations from the guidelines*

The Board of directors may temporarily resolve to deviate from the guidelines, in whole or in part, if in a specific case there is special cause for the deviate and a deviation is necessary to serve the company's long-term interests, including its sustainability, or to ensure the company's financial viability. The Board makes the decision on deviation from the guidelines. As set out above, the Remuneration Committee's tasks include preparing the Board of Directors' resolutions in remuneration-related matters, which includes any resolutions to deviate from the guidelines. In such a case, the Board of Directors shall disclose the deviation and the reasons therefor.

#### *Explanation for deviations from the government's principles*

The deviation from the Government's principles for terms of employment for senior executives of state-owned companies was decided on by the owner at the 2023 Annual General Meeting. The deviation entails use of a generally accepted ranking model instead of the definition of senior executive of a subsidiary in the principles for remuneration. The Board is of the opinion that the following, special reasons exist for deviating from the principles.

Like other international groups, Vattenfall governs its operations from a commercial perspective and not according to the legal company structure. For commercial and legal reasons, the Vattenfall Group has approximately 300 subsidiaries. Through application of the Government's principles for subsidiaries, a very large number of executives would be considered to be senior, without them having any significant influence on the Group's earnings.

The proposed deviation reflects these circumstances. The criteria used to define what constitutes a senior executive are the individual subsidiary's size based on sales, the number of employees and number of steps in the value chain, as well as the requirements on the individual executive for innovation, knowledge, strategic/visionary role and international responsibility.

The International Position Evaluation (IPE) model is used as support for determining in a systematic manner which positions can be considered to be senior. The Board's conclusion is that, in addition to the members of the Executive Group Management, executives in positions of IPE 68 or higher should be considered to be senior.