

## **Guidelines for remuneration to senior executives in Vattenfall AB 2020**

The Annual General Meeting adopted, on 28 April 2020, the Board's proposal for guidelines, which correspond to the Government's principles for remuneration and other terms of employment for senior executives of state-owned companies, adopted by the government on 27 February 2020 ([www.regeringen.se](http://www.regeringen.se)), with the deviation set out below.

Vattenfall deviates from the Principles as concerns the definition of senior executive of a subsidiary. Instead of using the definition of senior executive set forth in the Swedish Companies Act, senior executives shall be defined based on whether they have significant influence on the Group's earnings. Through application of the International Position Evaluation (IPE) model, executives with positions of IPE 68 and higher shall be considered to be senior.

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

Vattenfall has defined a strategy with the purpose to Power Climate Smarter Living and enable fossil free living within one generation. 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 executive management a competitive total remuneration.

### *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 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 Committee's tasks include preparing the Board's decision to propose guidelines for executive remuneration. The Board shall prepare a proposal for new guidelines and annually submit it to the general meeting. The guidelines shall be in force until new guidelines are adopted by the general meeting. The Remuneration Committee shall also monitor and evaluate the application of the guidelines for executive remuneration as well as the current remuneration structures and compensation levels in Vattenfall. The members of the Remuneration Committee are independent of Vattenfall 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.

The Board certifies that the compensation in question is in compliance with the guidelines set by the general meeting in such way that before a decision is made on compensation 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 put to the Board for a decision. The company's auditors shall perform a review to ensure that the set compensation levels and other terms of employment have not been exceeded and, in accordance with the Companies

Act, shall once a year – not later than three weeks before the General Meeting – issue a written statement as to whether the adopted guidelines have been adhered to.

*The Board's 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 entails use of a generally accepted ranking model instead of the definition of senior executive of a subsidiary in the Swedish Companies Act. 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 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.