

*The English text is an unofficial translation. In case of any discrepancies between the Swedish text and the English translation, the Swedish text shall prevail.*

## **The Board of Directors' proposal on guidelines for remuneration to senior executives**

### **Scope and applicability of the guidelines**

These guidelines comprise the persons who are part of BONESUPPORT HOLDING AB's ("BONESUPPORT") group management. The group management currently comprises nine positions. The guidelines also encompass any remuneration to members of the board of directors, in addition to board remuneration.

These guidelines are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the annual general meeting 2020. These guidelines do not apply to any remuneration resolved by the general meeting, such as e.g. board remuneration and share-based incentive programs.

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

BONESUPPORT is an innovative and rapidly growing commercial stage orthobiologics company. In brief, BONESUPPORT's business strategy is to develop and commercialize innovative injectable bio-ceramic bone graft substitutes that remodel to the patient's own bone and have the capability of eluting drugs. The company's bone graft substitutes are based on the patented technology platform CERAMENT®. For more information about BONESUPPORT's business strategy, see BONESUPPORT's latest annual report.

A successful implementation of BONESUPPORT's business strategy and safeguarding of BONESUPPORT's long-term interests, including its sustainability, require that the company is able to recruit and retain highly competent senior executives with a capacity to achieve set goals. In order to achieve this, BONESUPPORT must offer a competitive total remuneration on market terms, which these guidelines enable.

### **Types of remuneration, etc.**

The remuneration shall be on market terms and be competitive, and may consist of the following components: fixed salary, variable cash remuneration, pension benefits and other benefits. For the individual senior executive, the level of remuneration shall be based on factors such as work duties, competence, experience, position and performance. Additionally, the general meeting may – irrespective of these guidelines – resolve on e.g. share and share price-related remuneration.

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.

#### *Fixed salary*

The CEO and other senior executives shall be offered a fixed annual cash salary. The fixed salary shall be determined by taking into consideration the individual's competence, area of responsibility and performance. A review should in general be made annually.

### *Variable cash remuneration*

In addition to fixed salary, the CEO and other senior executives may, according to separate agreements, receive variable cash remuneration. Variable cash remuneration covered by these guidelines is intended to promote BONESUPPORT's business strategy and long-term interests, including its sustainability.

The satisfaction of criteria for awarding variable cash remuneration shall be measured over a period of one year. Variable cash remuneration may, for the CEO, amount to a maximum of 75 percent of the fixed annual salary, and for other senior executives, a maximum of 40 percent of the fixed annual salary, whereby the individual maximum level should be based on factors such as the position held by the specific individual. Variable cash remuneration shall not qualify for pension benefits, save as required by mandatory collective bargaining agreements.

The variable cash remuneration shall be linked to one or several predetermined and measurable criteria, which can be financial, such as net revenue and operating profit (EBIT), or non-financial, such as qualitative targets. Less than 40 percent of the variable cash remuneration shall depend on non-financial criteria. By linking the goals in a clear and measurable way to the remuneration of the senior executives to BONESUPPORT's financial and operational development, they contribute to the implementation of the company's business strategy, long-term interests and sustainability.

To which extent the criteria for awarding variable cash remuneration has been satisfied shall be evaluated and determined when the measurement period has ended. The Remuneration Committee is responsible for the evaluation. For financial objectives, the evaluation shall be based on the latest financial information made public by the company. The board of directors shall have the possibility to, in whole or in part, reclaim variable remuneration paid on incorrect grounds.

### *Pension benefits*

Pension benefits, including health insurance, shall be defined contribution, insofar as the senior executive is not covered by defined benefit pension under mandatory collective bargaining agreements. Premiums for defined contribution pensions, including health insurance, may amount to a maximum of 40 percent of the fixed annual salary.

### *Other benefits*

Other benefits may include life insurance, medical insurance and a company car. Premiums and other costs relating to such benefits differ substantially from country to country, but may generally amount to a maximum of 25 percent of the fixed annual salary.

### **Termination of employment and severance payment**

Senior executives shall be employed until further notice or for a specified period of time. Upon termination of an employment by BONESUPPORT, the notice period may not exceed 12 months. Severance pay, in addition to fixed salary and other remuneration during

the notice period, may not exceed an amount corresponding to the fixed annual cash salary for 12 months. Upon termination by the senior executive, the notice period may not exceed six months.

Additional remuneration may be paid for non-compete undertakings in order to compensate for loss of income. Such remuneration shall only be paid in so far as the previously employed senior executive is not entitled to severance pay. The remuneration shall be based on the fixed salary at the time of termination of employment and may not exceed 60 percent of the fixed salary at the time of termination of employment, save as otherwise provided by mandatory collective bargaining agreements, and shall be paid during the time as the non-compete undertaking applies, however not for more than twelve months following termination of employment.

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

In the preparation of the board of directors' proposal for these remuneration guidelines, salary and employment conditions for employees of BONESUPPORT have been taken into consideration 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 of directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

### **Consultancy fees to the members of the Board of Directors**

To the extent a member of the board of directors renders services for the company, in addition to his or her assignment as a member of the board of directors, an additional consultancy fee on market terms may be paid to the member of the board of directors, or to a company controlled by such member of the board of directors, provided that such services contribute to the implementation of BONESUPPORT's business strategy and the safeguarding of BONESUPPORT's long-term interests, including its sustainability.

### **Preparation and decision-making progress**

The board of directors has established a Remuneration Committee. The Remuneration Committee's duties include i.a. preparing the board of directors' resolution to propose guidelines for remuneration to senior executives. The board of directors 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 have been adopted by the general meeting. The Remuneration Committee shall also monitor and evaluate programs for variable remuneration for the senior executives as well as the current remuneration structures and compensation levels in the company. The members of the Remuneration Committee are independent in relation to the company and its senior management. The CEO and other members of the senior 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.

**Deviation from these guidelines**

The board of directors may temporarily resolve to deviate from these guidelines, in whole or in part, if in a specific case there is special cause for the deviation and a deviation 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 of directors' resolutions in remuneration-related matters, which include any resolutions to deviate from these guidelines.

**Information regarding resolved remunerations that have not yet fallen due**

Apart from the commitments to pay ongoing remuneration such as salary, pension and other benefits, there are no previously resolved remuneration to any senior executives that have not yet fallen due. For further information on remuneration to senior executives, please see note 11 in the annual report.

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Lund in April 2020

The Board of Directors of BONESUPPORT HOLDING AB (publ)