

## Proposals and Statement by the Nomination Committee of Arjo AB in respect of the Annual General Meeting 2018

### 1. Background

At the Extraordinary General Meeting held on 30 August 2017, it was resolved on an instruction for the Nomination Committee to apply until further notice, entailing that the Nomination Committee is to comprise the Chairman of the Board, who shall also convene the first meeting of the Nomination Committee, the five largest shareholders in terms of number of votes registered in the shareholder's register maintained by Euroclear as per August 31 the year prior to the Annual General Meeting, and one representative for the minor shareholders. However, in respect of the 2018 Annual General Meeting, the Nomination Committee shall comprise representatives of the five largest shareholders as per 31 December 2017. The Committee member representing the largest shareholder in terms of the number of votes shall be appointed Chairman of the Nomination Committee.

The Nomination Committee in respect of the 2018 Annual General Meeting has comprised Carl Bennet (*Chairman of the Committee; Carl Bennet AB*), Per Colleen (*Fjärde AP-fonden*), Marianne Nilsson (*Swedbank Robur*), Maria De Geer as representative for the minor shareholders and the Chairman of the Board of Directors Johan Malmquist.

In accordance with a resolution at Arjo's Extraordinary General Meeting held on 30 August 2017, the Nomination Committee shall propose the following: chairman at the general meeting, board of directors, chairman of the board of directors, auditor, remuneration to the board of directors divided between the chairman and the other directors, as well as remuneration for committee work and remuneration to the company's auditor.

### 2. Proposals by the Nomination Committee

The Nomination Committee makes the following proposals in respect of the 2018 Annual General Meeting:

**Chairman of the Annual General Meeting:** The Chairman of the Board, Johan Malmquist, shall be elected chairman of the Meeting.

**Board of Directors:** The number of Board members elected by the General Meeting shall be six, without deputy members. Johan Malmquist, Carl Bennet, Eva Elmstedt, Ulf Grunander, Carola Lemne and Joacim Lindoff shall be re-elected as Board members. Johan Malmquist shall be re-elected as Chairman of the Board.

Information about all members proposed for re-election is available on the company's website, [www.arjo.com](http://www.arjo.com).

**Board and Committee fees:** Board fees, excluding remuneration for Committee work, shall be paid in a total of SEK 3,450,000, of which, unchanged, SEK 1,150,000 to the Chairman and, unchanged, SEK 575,000 to each of the other Board members elected by the General Meeting who are not employees of the Group. Work in the Audit Committee shall, unchanged, be compensated with SEK 240,000 to the Chairman and SEK 120,000 to each of the other members, and work in the Remuneration Committee shall, unchanged, be compensated with SEK 125,000 to the Chairman and SEK 92,000 to each of the other members.

**Auditor:** The registered auditing company Öhrlings PricewaterhouseCoopers AB shall be re-elected as auditor for the period until the end of the 2019 Annual General Meeting in accordance with the Audit Committee's recommendation. If elected, Öhrlings PricewaterhouseCoopers AB has informed that Magnus Wilfors will be auditor-in-charge. Fees to the auditor shall be paid in accordance with approved invoices.

**Instruction for the Nomination Committee:** The Nomination Committee in respect of the annual general meetings shall be composed of the representatives of the three largest shareholders in terms of voting rights listed in the shareholders' register maintained by Euroclear Sweden AB as of 31 August the prior to the annual general meeting<sup>1</sup>, one representative of the minor shareholders and the chairman of the board of directors, who will also convene the first meeting of the Nomination Committee. The member representing the largest shareholder in terms of voting rights shall be appointed chairman of the Nomination Committee. Should a shareholder decline to participate in the Nomination Committee, a representative from the largest shareholder in turn shall be appointed. If earlier than two months prior to the annual general meeting one or more of the shareholders having appointed representatives to the Nomination Committee no longer are among the three largest shareholders in terms of voting rights, representatives appointed by these shareholders shall resign and the shareholder or shareholders who then are among the three largest shareholders in terms of voting rights, may appoint their representatives. Should a member resign from the Nomination Committee before its work is completed and the Nomination Committee considers it necessary to replace him or her, such substitute member is to represent the same shareholder or, if the shareholder is no longer one of the largest shareholders in terms of voting rights, the largest shareholder in turn. Changes in the composition of the Nomination Committee shall be made public immediately.

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<sup>1</sup> The shareholding statistics used shall be sorted by voting power (grouped by owners) and cover the 25 largest in Sweden direct registered shareholders, i.e. shareholders having registered an account with Euroclear Sweden AB in their own name or shareholders holding a custody account with a nominee that have reported the identity of the shareholder to Euroclear Sweden AB.

The composition of the Nomination Committee for the annual general meeting is to be announced no later than six months before that meeting. Remuneration shall not be paid to the members of the Nomination Committee. The company is to pay any necessary expenses that the Nomination Committee may incur in its work. The term of office for the Nomination Committee ends when the composition of the following Nomination Committee has been announced. The Nomination Committee shall propose the following: chairman at the general meeting, board of directors, chairman of the board of directors, auditor, remuneration to the board of directors divided between the chairman and the other directors as well as remuneration for committee work and remuneration to the company's auditor.

This instruction shall apply until further notice.

### **3. Statement by the Nomination Committee on the proposed Board of Directors**

Ahead of the 2018 Annual General Meeting, the Nomination Committee has held two meetings at which minutes were kept. As a basis for its work, the Nomination Committee has reviewed the annual accounts for the company's operations in 2017. Further, the Nomination Committee has reviewed nomination proposals received and the evaluation made by the Board and its work. The evaluation revealed that the current Board members represent a broad spectrum of expertise with sound industry knowledge and extensive financial know-how with regard to international conditions and markets. The evaluation also showed that the attendance rate at Board meetings was high and that all Board members demonstrated a high level of commitment.

Based on the results of the evaluation reviewed by the Nomination Committee, the demands placed on the Board as a result of Arjo's position and future focus, and the importance of continuity, knowledge and industry expertise in the Board of Director's work, the Nomination Committee proposes that the number of Board members elected by the General Meeting shall be six and that Johan Malmquist (Chairman of the Board), Carl Bennet, Eva Elmstedt, Ulf Grunander, Carola Lemne and Joacim Lindoff shall be re-elected as Board members.

The Nomination Committee applies rule 4.1 of the Swedish Code of Corporate Governance (the "Code") as diversity policy in the development of the proposal to the Board and is of the opinion that the proposal entails a Board composition that will continue to be appropriate to the company's operations, phase of development and other relevant circumstances as well as exhibit diversity and breadth of qualifications, experience and background, as set out in rule 4.1 of the Code.

The Nomination Committee strives for equal gender distribution on the Board, which are given specific attention in relation to election of new board members. The proposed Board members comprise two women and four men (equivalent to approximately 33.3 and 66.7 per cent,

respectively). As per 10 June 2017, the percentage of women on all Swedish listed company boards amounted to 33.2 per cent (39.0 per cent in the so-called Large Cap companies).<sup>2</sup> In April 2014, the Swedish Corporate Governance Board published certain aspiration levels concerning gender distribution in the boards of listed companies, namely at least 40 per cent of each gender after General Meetings held in 2020 and at least 35 per cent of each gender in major companies after the General Meetings in 2017 (in both cases exclusively of employee representatives). The percentage level of women in the Board of Arjo, as proposed by the Nomination Committee, is on par with the aspiration levels expressed by the Swedish Corporate Governance Board for the General Meetings in 2017.

In addition, the Nomination Committee has assessed the independence of the Board members. In accordance with rule 4.4 in the Code, a majority of the members of the Board elected by the General Meeting are to be independent in relation to the company and the executive management. Furthermore, according to rule 4.4 in the Code, at least two of the Board members who are independent in relation to the company and the executive management must also be independent in relation to the company's major shareholders. The Nomination Committee deems that Johan Malmquist, Ulf Grunander and Joacim Lindoff are to be regarded as dependent in relation to the company and the executive management, and that Carl Bennet is to be regarded as dependent in relation to major shareholders. The Nomination Committee deems the other proposed Board members – Eva Elmstedt and Carola Lemne – to be independent in relation to the company and the executive management as well as the major shareholders. Thereby, the proposal by the Nomination Committee does not meet the Code's independence requirement in relation to the company and the executive management, however in relation to major shareholders. According to the Nomination Committee's proposal, Arjo will deviate from rule 4.4 because not a majority (although half) of the Board members will be independent in relation to the company and the executive management. If CEO Joacim Lindoff would not be part of the Board, the Board would meet the independence requirement in rule 4.4. However, the Nomination Committee agrees with the company's and its principal shareholder's opinion that there is reason to deviate from the Code's independence requirement, as it is important that the company's CEO does not only report at Board meetings, but also has a formal role as a Board member with the commitment and responsibility that accompanies such position.

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Malmö in March 2018

**The Nomination Committee of Arjo AB (publ)**

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<sup>2</sup> Statistics compiled by SIS Ägarservice on behalf of the Swedish Corporate Governance Board (refers to board members elected at General Meetings).