

## **Proposal by the Board of Directors of B&B TOOLS AB (publ) to the Annual General Meeting on 27 August 2009 concerning the adoption of guidelines for determining compensation and other terms of employment for the President and CEO and other members of Group management (Item 15)**

The Board aims to ensure that the award system in place for the President and CEO and the other four members of the Group's management team ("Group management") is competitive and in line with market conditions. For the purpose of creating continuity, the proposal of the Board of Directors below essentially conforms to the compensation principles applied in prior years and is based on agreements already in force between B&B TOOLS AB and the respective employee.

The Board of Directors proposes that the guidelines set out below for determining compensation and other terms of employment for Group management be adopted.

### **Guidelines proposed by the Board of Directors**

For the Board of Directors, it is crucial that the Company is able to recruit, provide long-term motivation for and retain competent employees who create long and short-term shareholder value. To achieve this goal, it is important that the Company is able to offer competitive terms. The Company's compensation levels and compensation structure for members of Group management shall be in line with market conditions. The total compensation package for the individuals in question shall comprise a balanced combination of fixed salary, variable compensation, long-term incentive programmes, pension benefits and other benefits. Variable compensation and long-term incentive programmes should primarily be linked to the Group's earnings and value performance.

- Fixed salary shall be adjusted to market conditions and be based on responsibility, competence and performance. Fixed salary is determined based on market principles and is reviewed annually.
- Variable compensation shall be determined in relation to fixed salary and is set as a function of the Group's earnings.
- Members of Group management shall be included in a long-term incentive programme ("LTI programme"). Variable compensation based on the LTI programme is payable annually as a function of the Group's earnings performance at a maximum amount of 20 percent of the of the initial investment in B&B TOOLS shares covered by the programme. All members of Group management are also included in share-based incentive programmes.
- Pension benefits shall comprise either a defined-benefit pension plan or a defined-contribution plan, whose annual premium is determined as a function of fixed salary, variable compensation and age. Certain individual adjustments occur. The retirement age for Group management is currently 65.
- Other benefits shall be in line with market conditions and help facilitate the ability of the members of Group management to perform their duties.
- In the event of termination of employment on the initiative of the President and CEO or another member of Group management, the period of notice is six months. In the event of termination of employment on the initiative of the Company, the period of notice is a maximum of 12 months. Severance pay may amount to a maximum of 12 months' salary.

The Board is entitled to deviate from the above guidelines in individual cases if special reasons exist.

The aim is that these guidelines shall apply to the agreements entered into with the President and CEO and other members of Group management during the 2009/2010 operating year.