

The board of directors' proposal for the adoption of guidelines for remuneration to members of management

Haldex Aktiebolag has since several years established principles and forms for remuneration to members of management. The board of directors and its compensation committee resolve on the structures of remuneration systems, as well as levels and forms of remuneration to members of management. The board of directors proposes that the annual general meeting adopt the following guidelines for remuneration to the managing director and other members of management. These guidelines will be valid for employment agreements entered into after the annual general meeting's resolution and for changes made to existing agreements thereafter.

The board of directors is entitled to disapply the below guidelines if there are specific reasons or needs in an individual case.

1. General

It is of fundamental importance to the company and its shareholders that the guidelines for remuneration to members of management within the group, in both a short and long term perspective, enable the group to attract and retain competent members of management and other employees. To achieve this it is important to sustain fair and internally balanced terms that are at the same time competitive on the market with respect to structure, scope and compensation levels.

The terms of employment for members of management shall consist of a balanced combination of fixed salary, annual bonus, long-term incentive program, pension and other benefits and terms for termination/severance payment.

The total annual cash remuneration, i.e. fixed salary, bonus and other long-term cash remuneration, shall be in accordance with market practice on the geographical market where the member of management operates. The total level of the compensation will be evaluated annually to ensure that it is in line with market practice for corresponding positions within the relevant geographical market.

The remuneration should be based on performance. It should therefore consist of a combination of fixed salary and bonus, where the variable remuneration forms a relatively substantial part of the total remuneration.

The annual report 2016 sets out details on the total remuneration and other benefits paid to the members of management during 2016.

2. Remuneration and remuneration forms

The remuneration system of the group consists of various forms of remuneration in order to create a well-balanced compensation that fosters and supports management and achievement of goals in both a short and long-term perspective.

2.1 Fixed remuneration

The fixed remuneration shall be individually determined and shall be based on each individual's responsibility and role as well as the individual's competence and experience in the relevant position.

2.2 Annual bonus

Members of management have an annual bonus that is payable on an annual basis. The annual bonus is structured as a variable part of the fixed salary. Bonus goals shall primarily be based on the outcomes of financial objectives for the entire group, financial goals for the business unit for which the member of management is responsible, as well as clearly defined individual goals with respect to specific assignments. The latter is to ensure that the member of management also focuses on non-financial targets of specific interest.

Bonus related financial objectives for the group shall be established by the board of directors annually in order to ensure that they are in line with the group's business strategy and profit targets. On behalf of the board of directors, the compensation committee establishes the financial objectives for individual units proposed by the managing director.

The part of the total remuneration consisting of annual bonus varies depending on position and may amount up to 50 per cent of the fixed annual salary at full goal achievement. The bonus goals are constructed so that no bonus will be paid if a certain minimum performance level is not achieved.

2.3 Long term incentive program

In order to foster a long-term perspective in the decision-making and to ensure long-term achievement of goals, the board of directors may propose that the general meeting adopt other types of long-term incentive programs.

The board of directors uses long term incentives in order to ensure that members of management within the group have a long-term interest in a stable value increase of the Haldex share. By implementing an incentive program that is connected to the company's profits and at the same time its increase in value, the long-term growth of the company is awarded and fostered. Further, long term incentive programs also aim at making the company a more attractive employer, which contributes to the company's ability to retain key employees within the group as well as to recruit new key employees.

Any remuneration in the form of long-term incentive programs shall be in accordance with market practice on each relevant market.

2.4 Pension

When entering into new pension agreements with members of management who are entitled to pension, the pension shall be based on defined contribution plans. Members of management who are employed in Sweden retire by the age of 65 and other members of management in accordance with local regulations on pension. As a main principle, pension premiums are based solely on fixed salary. Certain adjustments may occur in individual cases in accordance with local market practice.

2.5 Other benefits

Other benefits, such as company car, compensation for healthcare and health and medical insurance etc., shall form a minor part of the total compensation and shall correspond to what may be deemed common market practice in each geographical market.

2.6 Special remuneration

In addition to the above described remunerations, agreements on additional remunerations may be made in exceptional situations, for example when considered necessary to attract and retain key personnel or induce individuals to move to new places of service or accept new positions. Such special remunerations shall be limited in time and may not exceed 36 months. Further, such remuneration must not exceed an amount equivalent to two times the remuneration the individual would have received in the absence of an agreement on special remuneration.

3. Terms for dismissal and severance payment

The managing director and other members of management have a notice period of up to 12 months. Fixed salary during a period of notice and severance pay may not together exceed an amount equivalent to the individual's fixed salary for two years. Upon termination of the employment, local practice on the geographical market where the member of management operates shall be complied with.

4. Deviation from the 2016 guidelines

In the autumn of 2016, the board of directors resolved to approve changes to the existing terms of employment for members of management due to Knorr-Bremse's public takeover offer to the shareholders of Haldex. The changes mainly entail the following:

- i) The notice period for termination by both the employee and by the company has been extended to 12 months until and including 30 June 2017. As from 1 July 2017, the notice periods which applied prior to the changes to the existing terms of employment shall apply again.
- ii) The members of management have been given a right to severance pay totalling 12 months' salary, payable upon termination by Haldex following a so-called

- change of control (i.e. where an individual or an entity acquires shares in the company representing more than half of the total number of voting rights), or following the board's appointment of a new managing director of Haldex, provided that notice of termination is given prior to 1 January 2019.
- iii) The members of management have been given a right to a so-called retention bonus totalling six months' salary, provided that the members of management remain employed until and including 31 December 2017.

The changes to employment terms in accordance with items i) and ii) above, constitute deviations from the guidelines approved by the annual general meeting 2016. The deviations have been deemed necessary by the board of directors in order to retain members of management in view of the takeover situation that the company has been subject to since July 2016.

Landskrona in March 2017
Haldex Aktiebolag (publ)
The board of directors

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Appendix to board of directors' proposal for the adoption of guidelines for remuneration to members of management

Estimated costs for variable remuneration

The costs for variable remuneration to members of management, including the abovementioned retention bonus, will be based on the present level of remuneration and at full outcome, which is subject to all targets qualifying for remuneration being fulfilled, amount to a total of SEK 19.3 million (exclusive of social security payments), of which the costs related to the CEO amount to SEK 2.9 million. The calculation is based on the present members of the group management. The costs may change if the number of members of the group management is increased.

Remunerations previously decided but not yet due

At the time of the annual general meeting on 4 May 2017, Haldex will have certain unsettled obligations of remuneration, including the abovementioned retention bonus, except running obligations to members of management in accordance with the principles of remuneration described above and in the annual report.

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