

THE BOARD OF DIRECTORS PROPOSAL ON THE PRINCIPLES FOR REMUNERATION AND OTHER EMPLOYMENT TERMS FOR THE CORPORATE MANAGEMENT OF HÖGANÄS AB

The Board of Directors of Höganäs AB proposes that the Annual General Meeting (AGM) on 27 April 2009 approves the following principles for remuneration and other employment terms for the corporate management.

General

Höganäs shall apply remuneration levels and employment terms necessary to recruit and retain a management with high competence and with the capacity to achieve pre-determined objectives. The structure of the remuneration shall motivate the corporate management to do its utmost to safeguard shareholder interests.

Accordingly, the structure of remuneration shall be on market terms, simple, on a long-term basis and measurable. The corporate management's remuneration shall have a fixed part and performance-related part. The performance-related part shall reward clearly defined goal-related performances and improvements and the structure of the performance-related remuneration shall be simple and transparent. Performance-related remuneration shall be capped.

The relationship between fixed and performance-related remuneration

The fixed salary for the corporate management shall be on market terms and based on competence, responsibility and performance. The performance-related remuneration for the corporate management shall not exceed the fixed salary, and shall, normally, not exceed six months' salary. It shall be related to the satisfaction of pre-determined goals, mainly related to sales, earnings, volume growth, return on capital employed and the outcome of specific projects.

Basic terms of incentive schemes

The corporate management and other key employees shall be eligible for stock option plans. Such plans shall be related to the progress of the company, whereby allotment shall be apportioned by the Board of Directors according to pre-determined factors and target figures for volume and profit growth as well as return on capital employed.

Basic terms of non-monetary benefits, pensions, notice of termination and severance pay

The corporate management's non-monetary benefits shall facilitate the work of the management, and correspond to what can be considered reasonable in relation to the local market practice where the respective management team member is active.

The corporate management's pensions shall correspond to the terms on the local market where the respective management team member is active, and should be based on defined-

contribution pension schemes or national pension schemes such as Sweden's ITP scheme (Supplementary Pensions for Salaried Employees).

Dismissal and severance pay for a member of the corporate management should not, in total, exceed 24 months' salary. Normally, a six-month mutual notice period shall apply.

Corporate management

For the purpose of these principles, the corporate management means the Chief Executive Officer, Chief Financial Officer and other senior executives that report directly to the Chief Executive Officer.

How matters concerning remuneration to the corporate management are prepared and resolved upon pursuant to the principles approved by the Annual General Meeting

The Board of Directors' Remuneration Committee considers and prepares issues relating to remuneration to the corporate management and general remuneration packages within the group for resolutions by the Board of Directors. The Remuneration Committee considers and drafts proposals for resolutions regarding employment terms for the Chief Executive Officer, and the Board evaluates the Chief Executive Officer's performance annually. The Chief Executive Officer consults with the Remuneration Committee regarding employment terms of other members of the corporate management.

The Board of Directors shall have the right to deviate from the aforementioned principles for remunerating the corporate management if motivated by special circumstances in individual cases.

Höganäs in March 2009
HÖGANÄS AB (publ)
The Board of Directors